London Borough of
Barking & Dagenham

Financial Statements for the year 2010/11

Explanatory Foreword

The Council's accounts for the year 2010/11 consist of the following pages:

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Introduction and Overview of the year 2010/11

This foreword has been prepared to provide a summary of the overall financial performance and financial management of the Council and to emphasise the importance of viewing these accounts alongside the financial outturn statement, reported to Cabinet on 14 June 2011.

The accounts have been prepared in line with the guidance prescribed to the Council under International Financial Reporting Standards (**IFRS**) to enable consistent reporting across local authorities, the wider public sector and private sector organisations. This is the first year that the council has been required to produce accounts using IFRS.

The accounting policies adopted by the Council are more fully explained in Notes 1 to 3 of the Financial Statements (pages 23 to 38) and reflect the changed requirements of reporting under **IFRS**.

Our Financial Health

The overall financial position of the Council during these very tough economic times has continued to improve over the last twelve months. The Council has made some difficult savings decisions but most importantly the main objective was to try to protect front line services as much as possible by reducing further wasted expenditure and by reducing central support costs. The changes we have made in this last year will ensure that the Council is able to manage the significant reductions in our income streams and ensure that we continue to be financially stable.

Following the completion of the audit of the 2009/10 statement of accounts by our external auditors, our general fund balances increased to £8.1m; which reflected a need to further strengthen the council's reserve position. The increasing uncertainty in the Council's key income sources (following the Comprehensive Spending Review in the autumn of 2010) and the Council's continuing commitment to no increases in Council Tax in the near future resulted in a recommended level of reserves being raised to £10.0m in 2010/11. This target has been met at the end of March 2011 with the General Fund balance rising to £10.8m as a result of effective spending control.

In the challenging economic climate and continuing funding reductions, the Council is committed to maintaining stringent expenditure control measures and reducing the level of expenditure within the Council to both manage the growing financial and operational risks and to provide the right level of services to its residents.

The General Fund

At 31 March 2011, the overall General Fund Reserve balance had increased to £10.8m as a result of a net surplus of £2.8m in 2010/11 against a net budget of £154.8m; the table below shows the impact of expenditure control during the year and reflects the commitment of the Council to meet the needs of the community despite the unexpected funding reduction imposed on the Council following the General Election in May 2010. Some areas did spend slightly more than planned, specifically in safeguarding our children and in our customer services but these were more than offset by savings in the back office cost base. Further information on the Council's overall expenditure is set out in Note 28 on page 58.

The table below shows the outturn position for the year and the over/(under) spend by the main departments:

Service Department net expenditure and under/(over) spend	Over/(under) spend 2009/10 £'000's	Total Net Expenditure 2010/11 £000's	Over/(under) spend 2010/11 £'000's
Adult & Community Services Department	(127)	69,951	(200)
Children's Services Department	(137)	61,913	484
Customer Services Department	37	28,203	399
Finance & Resources Department	(943)	11,411	(977)
General Finance	(3,182)	(19,483)	(2,482)
Total	**(4,352)**	**151,995**	**(2,776)**

Where the Council's money came from and how it was spent
The following charts show were the Council's income came from and how it was spent during the year:

Chart 1 - Where our money came from:

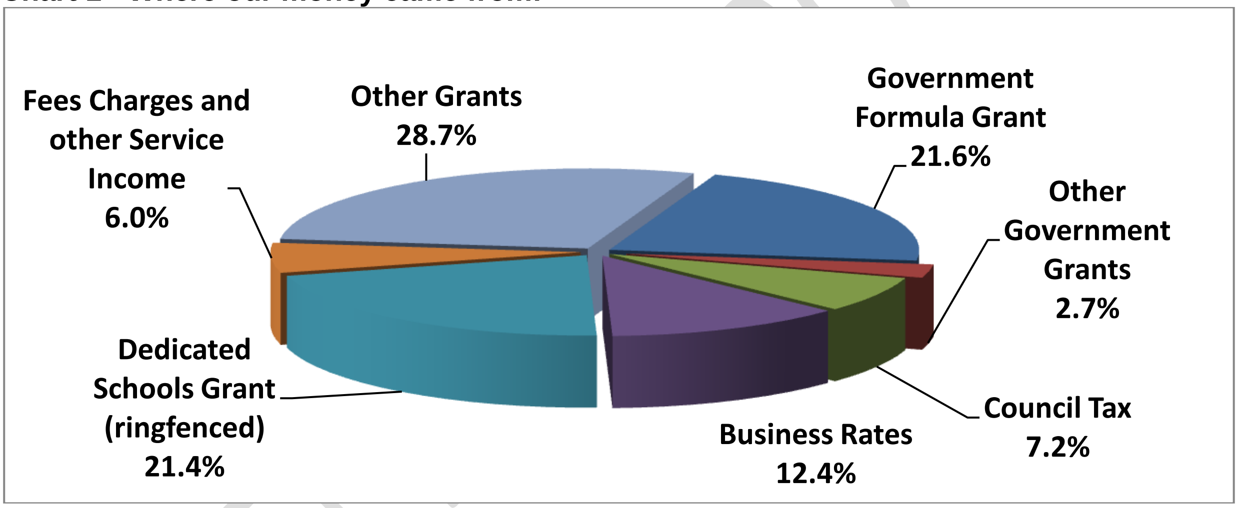
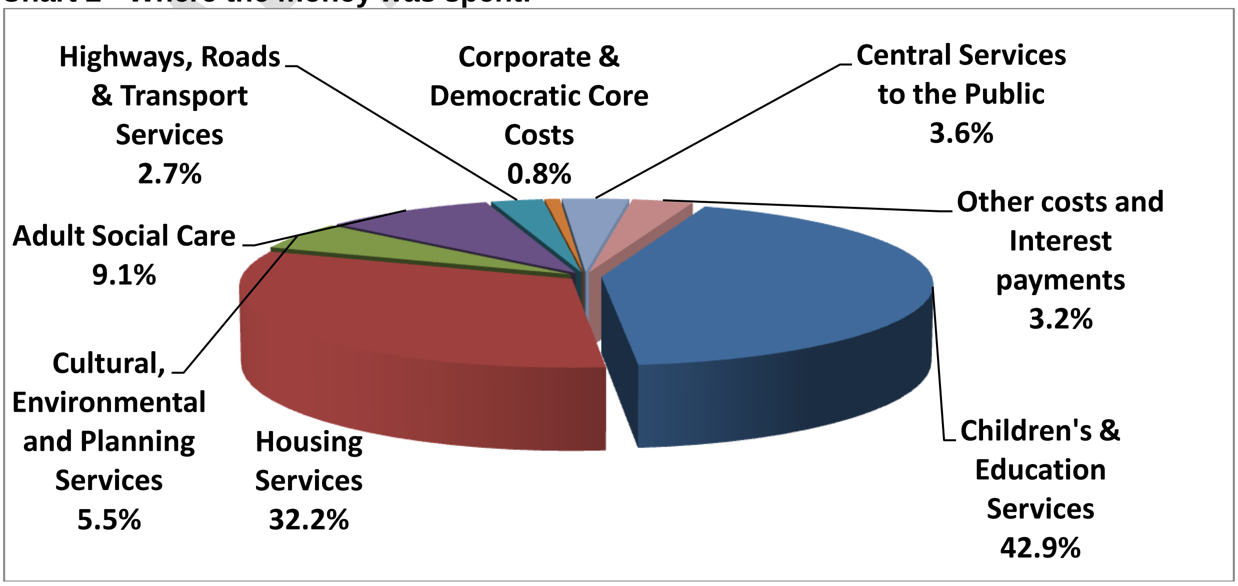


Chart 2 - Where the money was spent:

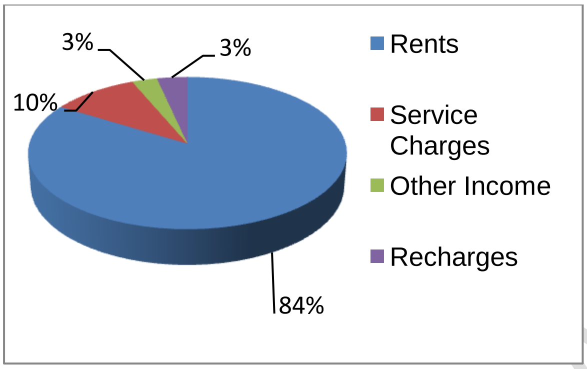


The Housing Revenue Account

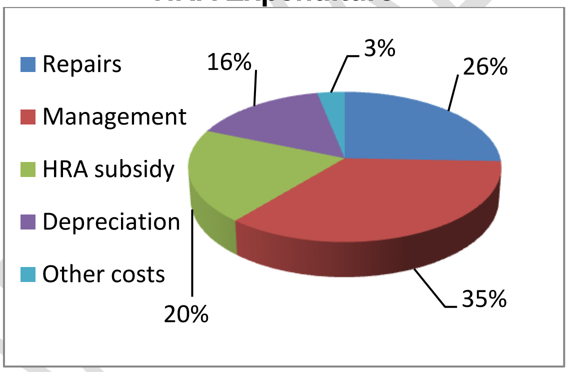
The Housing Revenue Account (HRA) is a specific account which shows how much the Council spends on providing, maintaining and managing Council flats and houses. Any money spent on looking after our Council housing is paid for by the rents that tenants pay. Under the 1989 Local Government Housing Act, the HRA is “ring fenced” from other accounts and its expenditure cannot be subsidised from the General Fund (or vice versa) although recharges for services are allowed.

The HRA recorded a surplus for the year 2010/11 of £1.0m raising the working balance for the HRA to £4.4m. This increase is largely as a result of a lower than planned level of the subsidy payable to central government, partly as a result of a technical review of the amounts due, though this was partially offset by a reduced level of rent collected.

HRA Income



HRA Expenditure



The current financial position of the HRA means that we will be able to set rent levels for 2011/12 and remain with a surplus working balance however the future of the HRA remains uncertain as a series of proposals for its reform continue to be assessed. This clearly means a solution to the financial viability of the HRA will need to be found in the near future.

Capital Programme

The Council spent £106.0m on capital projects in 2010/11 as summarised in the following table and the biggest projects set out below:

Summary of Capital Expenditure by Department	Budget 2010/11 £’000’s	Actual 2010/11 £000’s	Under spend £’000’s
Adult & Community Services	18,977	17,513	(1,464)
Children’s Services	41,384	40,912	(472)
Customer Services	43,256	36,445	(6,811)
Finance & Resources	12,026	11,227	(799)
Total	**115,643**	**106,097**	**(9,546)**

- Building and expanding schools £40.9m;
- Maintaining and constructing council homes £23.5m;
- Becontree Leisure Centre £11.9m.

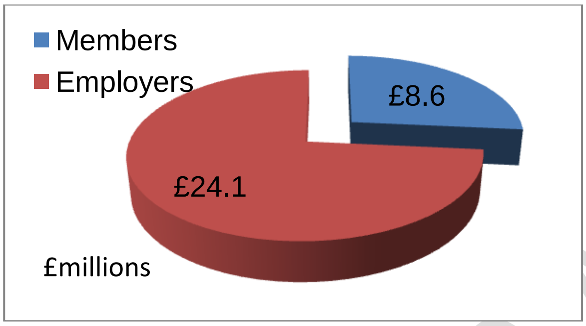
The programme was partly funded by grants received from central government and the Council’s own capital receipts but a significant part was funded through borrowing. The authority will need to give consideration as to how long and to what level it is able to continue to borrow in the future.

Pension Fund

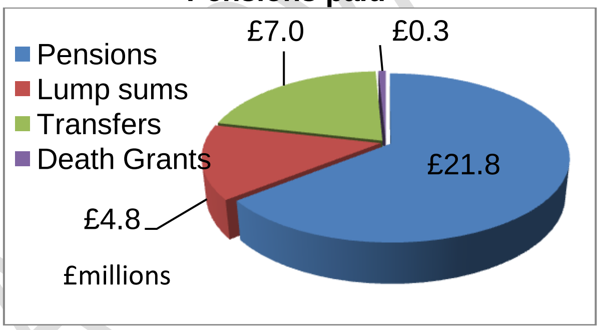
The Council prepares its Statement of Accounts to comply with the requirements of IAS 19 *"Accounting for Employee Benefits"*. A Pension Fund Reserve is shown on the Balance Sheet, representing the net funding deficit as at the 31 March 2011. The balance at 31 March 2011 stands at £193.4m (2010; £360.8m) following the updated actuarial information received at the year end, amounting to approximately 17% of the Council's net worth. This improvement is due to an increase in the value of funds assets together with a revised estimate of the funds liabilities following changes in the assumptions of inflation, life expectancy and past service funding in the underlying liabilities of the fund. Further details can be found in Note 45 to the Core Financial Statements.

The results of the London Borough of Barking and Dagenham Pension Fund are set out on pages 96 to 109 and are summarised below:

Pension Contributions received



Pensions paid



The triennial revaluation of the fund was completed in 31 March 2010 by the Scheme actuary, Hymans Robertson LLP, when they looked at the investment performance of the fund, the profile of the employees within the fund and forecasts of the financial markets amongst other factors, to set the employers contribution rates for the next three years.

Looking Forward

During February 2011, the Council's Assembly agreed a balanced budget for 2011/12 whilst freezing Council Tax increases for the third year running. To balance the budget, significant savings plans have been identified to ensure that the financial position does not deteriorate during the year. As part of the approval of the annual budget, the Council also agreed the Medium Term Financial Strategy which identified a potential funding gap for each of the next three years as a result of reducing grant levels.

The next few years will be challenging for us all as our residents feel the impact of the Government's deficit reduction programme which will place further demand on the Council's resources and services.

I will continue to focus my time to ensure that the Council maintains its services to the community it serves and to improve the way we work to deliver real value for money and to eliminate waste.

Tracie Evans
Corporate Director of Finance and Resources
30 June 2011

Annual Governance Statement

Introduction

The Accounts and Audit Regulations (England) 2011 require the Council to be responsible for ensuring that its financial management and internal audit systems are adequate and effective. In addition, the Council is required to have a sound system of internal control which facilitates both the effective exercise of its functions and arrangements for the management of risk.

Coupled with these requirements has been the need for a wider statement which indicates the degree to which the council's governance arrangements follow the six core principles set out in 'Delivering Good Governance in Local Government' which was published by CIPFA/SOLACE in 2007. This statement explains how Barking and Dagenham Council currently complies with the Code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2011 in relation to the publication of a statement of internal control.

The CIPFA/SOLACE principles are that the Council in its activities:

- Focuses on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Has Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promotes values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Takes informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Develops the capacity and capability of Members and officers to be effective;
- Engages with local people and other stakeholders to ensure robust accountability.

This Statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on citizens' behalf.

This Statement is based on evidence obtained across the council about the robustness of the Council's governance arrangements and its systems of internal control. This evidence builds upon the assurance gathering process that has been in place since the requirement to produce a Statement on Internal Control began and the comments of Directors in relation to statements provided by their Divisional Directors. This Annual Governance Statement:

- Sets out in Section 1 the scope of responsibility and the purpose of the governance framework;
- Describes in section 2 the key elements of the systems and processes that comprise the Council's governance arrangements;
- Presents in Section 3 the review of effectiveness of the Council's governance arrangements;
- Sets out in Section 4 any significant governance issues that need to be addressed.

Section 1
Scope of Responsibility

Barking and Dagenham Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Barking and Dagenham Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Barking and Dagenham Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Barking and Dagenham Council's Local Code of Corporate Governance is consistent with the principles of governance set out in the introduction. A copy of the code is on the Council's website in part E of the Constitution or can be obtained from the Council's Monitoring Officer.

The Purpose of the Governance Framework

Barking and Dagenham Council's governance framework is established through its systems, processes, cultures and values. These are regularly reviewed. Standards Committee Members are working with officers to assess the current arrangements and to suggest any areas of improvement as part of the continuous improvement processes for the Council's governance arrangements.

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of Barking and Dagenham Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Barking and Dagenham Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

Section 2
The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described in more detail below:

Vision and Purpose

The Council's vision and purpose is defined in the Council Plan. More recently, the Council's vision has been summarised in the Policy House, which will be reflected in more detail in the next edition of the Council Plan.

Those elements of the Council's vision and purpose which are best delivered through local partnership working are set out in the Community Strategy. This is overseen by the Barking and Dagenham Local Strategic Partnership (LSP). The LSP's Public Service Board oversees the development of the community strategy and tracks the activities of the Council and its partners to ensure that the vision in the Community Strategy is being realised. It does this by overseeing delivery by the five themed sub-groups who develop strategy, monitor performance and outcomes for the Community Strategy. A recent review of the LSP has led to a closer link being made with the Council's formal decision making process.

The themed boards have in the past been each responsible for a number of National Indicators as stated in the Local Area Agreement, as well as strategic programmes of work within the Community Strategy by developing policy and strategy in response to government initiatives and local needs. These are:

- Skills Jobs and Enterprise Board
- Clean, Green and Sustainable Board
- Children's Trust
- Shadow Health and Wellbeing Board
- Community Safety Partnership

Performance Management

The performance management framework demonstrates how effective the actions being taken are and assists in monitoring progress in the way in which the Council's strategies are translated into action plans and outcomes. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated. The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Council.

The actions required to deliver service plan objectives are reflected in team and individual plans forming the basis for annual and interim appraisals

Appraisals are scored to reflect individual performance and contribution towards the delivery of the Council's priorities. Regular team meetings and one-to-ones support the monitoring of delivery. Corporate quarterly monitoring delivery provides senior managers and Members with an overview of the Council's direction of travel. The format of reporting is currently being reviewed to reflect changes at national government level in performance reporting requirements.

There are a number of Programme Boards, each chaired by a Director and supported by programme managers, which meet monthly. The Council has established a governance framework to support this approach which includes an escalation process associated with issues and risk management. A series of programmes and projects associated with delivery are overseen by each Board, with areas such as change management, Building Schools for the Future, and other priorities for the Council being the subject of focus.

Each Programme Board provides a highlight report to the Corporate Management Team (CMT).

Both the Cabinet and CMT monitor performance information on a 3 monthly basis. Key performance information is reported at the Performance Boards attended by Directors and chaired by the Chief Executive. Performance is considered at least monthly by Directors at directorate management team meetings and by Members on a quarterly basis at the Cabinet.
The Council's Overview and Scrutiny function provides elected Members with the forum to challenge performance; make recommendations to the Cabinet and the Assembly on policies, the budget and delivering services, instigating and managing the work of scrutiny panels; monitoring the Executive's decisions and using "Call-ins" to challenge decisions. The Council has the following scrutiny Select Committees:

- Children Services Select Committee
- Health and Adult Services Select Committee
- Living and Working Select Committee
- Public Accounts and Audit Select Committee
- Safer and Stronger Communities Select Committee

The scrutiny Select Committees review decisions made by the Council's Cabinet, conduct reviews into a chosen area of policy for the borough and make recommendations to full council (Assembly) at year end. Scrutiny also makes recommendations by way of challenge and improvement in relation to any reports coming before them.

To support these internal performance indicators the Council commissions and uses research to test the customer and stakeholder experience of services that the Council provides. It uses this feedback to drive the services forward to deliver what the public want and to focus resources on the public's priority areas.

External benchmarking is also used extensively to compare the services delivered by the Council with others both in the private and public sector. This is used as a tool to assess the cost effectiveness and value for money of services provided by the Council.

Council Constitution

This sets out the roles and responsibilities of officers and Members. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. Under the Council's constitution, the Executive/Cabinet has the powers necessary to implement the wishes of the community and to improve the services provided. The Leader and Cabinet model provides clear accountability and effective leadership and decision making. The Assembly retains some strategic decision-making powers such as the budget framework. Officers in each Service have schemes of delegation to enable them to handle day to day matters. The Barking and Dagenham Council Cabinet drives forward the delivery of services. Where a key decision is due to be made the Council publishes details in the forward plan prior to the decision making meeting. These meetings are open to the public unless exclusion is necessary for reasons of confidentiality under Local Government Act 1972.

The Monitoring Officer ensures that the constitution is reviewed at least annually. During the year the Constitution was reviewed to ensure that it kept abreast of changes within the Council. As part of the review the Council's scheme of delegation was also comprehensively reviewed.

Risk Management

The benefits from having an effective risk management approach include better decision making, improved performance and ultimately better service delivery and outcomes. This includes more effective use of resources and the protection of reputation. Accordingly, the Council reviewed and strengthened its Risk Management arrangements in 2010/11.

The revised strategy states that the Council will maintain a culture of risk awareness across the organisation driven by a 'top down and bottom up' approach, and raise the awareness of the need for risk management by all those connected with the delivery of services.

The Public Accounts and Audit Select Committee (PAASC) is responsible for 'monitoring the effective development and operation of risk management', as defined in the Council's Scheme of Delegation. This is undertaken via a quarterly Corporate Risk Register (CRR) report from CMT.

PAASC (28th October) considered the output of a comparison exercise: how Barking and Dagenham Council's register looked against other "good practice" councils' CRRs. The key headline messages were:

- The CRR contained the majority of the big risks identified by comparison cohort;
- The description and rating varied from local authority to local authority, reflecting the local conditions, which is entirely appropriate.

CMT provides strategic leadership of corporate risk management, setting the tone for the whole risk management framework. The first CRR was produced in 2010.

The Corporate Risk Board (CRB) at Divisional Director level has been established. Its Terms of Reference are to champion and embed risk management across the Council. The CRB oversees the CRR on behalf of CMT. This is discharged quarterly, via both the review of the key risks and progress in their mitigation via action plans. The CRR formed a key driver in the "golden-thread" of the annual planning cycle - informing for the first time Directorate Risk and Business Plans, the Annual Governance Statement and Audit Programme.

A CMT member is designated the risk management champion, signalling the importance of risk management, underpinning good governance.

As part of the business planning process, each Directorate must produce a plan that outlines both the major impacts and risks associated with their proposals. These should contain sufficient information to enable decisions to be made on areas for investment. Each divisional business plan must provide an assessment of the risks or a reference to the divisional risk register associated with each of the set divisional objectives (including the corporate risks as appropriate).

Directorate Management Teams (DMTs) monitor and oversee their service risks and individually and collectively act as an escalation channel up to CRB and CMT and below.

Risks are assessed in terms of likelihood and impact, with ratings from 1 to 4 being used to measure both values; this methodology is consistently used across the Council registers.

The Governance Audit undertaken during 2010/11 gave "Substantial Assurance" and highlighted the Council's strengthened risk management arrangements.

Additionally, there has been an audit of the risk management arrangements undertaken during the last quarter of 2010/11, this will be finalised in 2011/12 and will inform future arrangements.

Codes of Conduct

The Council has a code of conduct for officers supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade and those in certain decision making and procurement positions. Officers are generally required to decline gifts and hospitality to ensure that officers are not inappropriately influenced. These codes and processes are made available to staff at their induction, they are on the intranet and online training is available to ensure every staff member understands their responsibilities. The Council's Standards Committee oversees adherence to the Code of Conduct for Members, handles complaints under the same and also monitors compliance with employee related Codes of Conduct, such as the Officer Code of Conduct and whistle blowing policy. The standards committee also reviews policies and protocols relating to Members, officers and compliance by members of the public on an annual basis.

The Localism Bill proposed the abolition of the mandatory standards regime in local authorities and the Council along with other authorities will retain a choice and thus need to decide whether to retain a local Code of Conduct and a regime fulfilling the work currently done by the Standards Committee.

Rules and Regulations

The Council's rules and regulations form part of the Constitution. There is a scheme of delegation for officers. These documents are published on the Council's website. They state who is authorised to make decisions in particular areas. Alongside this the Council has financial regulations which provide details of officers' responsibilities for the Council's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Council has developed a code of procurement practice. The scheme of delegation and financial regulations are kept under review throughout the year. There is also an ongoing review of the procurement code of practice to enable the document to be more user friendly in future.

Various mechanisms are in place to ensure compliance with the constitution. The scrutiny Select Committees regularly review matters coming before them within their remits. The committees agree their work program at the beginning of each year. Scrutiny Select Committees have power to call in decisions of the Executive/Cabinet and to call officers to appear before them to answer questions.

The Council also has the following statutory officers: Chief Executive (Head of Paid Service), Corporate Director of Finance and Resources (as Section 151 Officer) and Divisional Director of Legal and Democratic Services (Monitoring Officer), each of whom has the power to refer matters to Assembly if a breach of any regulation has occurred or anticipated. The Council must also appoint a Director of Education role and a Director of Adult Social Services which are currently filled by the Corporate Director of Children's Services and Corporate Director of Adult and Community Services respectively.

Whistle-blowing and Complaints Process

The Council has a robust whistle blowing and complaints procedure. The audit and risk team actively promote awareness of the policy within and outside the Council. Complaints under either procedure are handled in confidence and according to a strict time table and procedure. Where complaints are upheld as appropriate, action follows. The Standards Committee reviews complaints made, patterns and outcomes on an annual basis.

Training and Development

Barking and Dagenham Council has a Member Development Programme, which is based around the key priorities identified by Members. The programme offers Personal Development Plans for those Members who want to develop a planned approach to their development. Formal monthly sessions are arranged for all Members as well as one to one coaching if requested. There is a mix of skills based and knowledge based sessions. The programme includes access to "Modern Councillor" a new service for elected Members to develop their skills through e learning. In addition, all Members are offered the opportunity to attend the Local Government Improvement and Development (LGID) Leadership Academy which is a programme designed specifically with Councillors in mind.

Members have a dedicated full time Member Development Officer and a development programme to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and ward bulletins. All Select Committees have training as part of their agendas and agree specific training in order to remain current. Training is also provided for Members of all quasi judicial boards.

Finally, the London Member Development Charter was achieved by Barking and Dagenham Council in February 2009.

Communication and Engagement

The Council publishes numerous documents on its website as well as providing a new fortnightly community newspaper launched at the end of May 2009 to engage with and inform members of the public. Consultation exercises are publicised and enabled via the website, as well as through more traditional routes.

Partnerships

The Council is involved in a range of partnerships for different services. Corporately a significant partnership for the Council is the Barking and Dagenham Local Strategic Partnership. This is governed by its own constitution. Members are also subject to a code of conduct and make declaration of interest at meetings.

The Council also entered into a formal partnering arrangement with Elevate in 2010 to run a number of key council services after a full EU procurement process. The Council also has important partnership arrangements with the local primary care trusts. These cover a range services and are aimed at delivering a seamless service to the public. There are also partnership arrangements with the Police, Probation and Youth Justice Services to help to meet the targets for reducing crime and making Barking and Dagenham a safer and stronger community.

Section 3
Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. "Assurance" on the review of effectiveness is informed by a range of evidence, both internal and external, including the work of relevant Corporate and Divisional Directors within the authority, that have responsibility for the development and maintenance of the governance environment, the Divisional Director of Assurance and Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. For 2010- 2011, Divisional Directors were invited to complete standard questionnaires addressing governance issues in their areas. The results were then communicated to the relevant Corporate Director who was invited to review them and complete a statement in relation to governance in their areas.

The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Corporate and Divisional Directors within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Annually the Divisional Director of Assurance and Risk is required to give an opinion on the Council's internal control framework based upon the work carried out during the year including testing the key controls in the Council's major financial systems.

The Divisional Director of Assurance and Risk draws upon a wide range of assurance sources to help inform this opinion and the programme of audit and corporate anti-fraud work, including identified risks.

During 2010/11, a consolidated Quarterly Internal Audit Composite Report was introduced, that goes quarterly to PAASC. This has assisted PAASC in undertaking its governance and risk scrutiny function. The reports covered a broad area of the Council's work including:

- Summaries of Internal Audit work undertaken;
- Summaries of Corporate Fraud Investigations and whistle-blowing work undertaken;
- Current and future key issues;
- [the] value for money of the Internal Audit service;
- Progress of audit recommendations;
- Reasons for agreed slippage of high risk recommendations;
- Outcomes from tenancy audit;
- Outcomes from housing benefit investigations;
- Refresh of key Anti-Fraud and Audit Policies and Strategies; and,
- Divisional Director Assurance opinions.

The outcomes from PAASC are reported annually to the Assembly.

The Divisional Director of Assurance and Risk's annual report will be provided to PAASC in June 2011. Based on the work undertaken during the year and the implementation by management of the recommendations made, internal audit were able to provide reasonable assurance that the systems of internal control within the council were operating adequately and effectively. The opinion of the Divisional Director of Assurance and Risk is therefore that overall the control environment is currently adequate.

The Internal Audit service was rated with “full assurance” by an external peer review, which was undertaken in 2010/11).

The Council received a report via PAASC from the Audit Commission’s Head of Governance and Counter Fraud. This report was a pilot, tailored briefing note positioning the Barking and Dagenham Council fraud survey results against those in the recent ‘Protecting the Public Purse’ report. This enabled PAASC to request and subsequently receive a self assessment against best practice checklists both from the national and locally tailored ‘Protecting the Public Purse’ reports, highlighting how robust the council’s fraud defences are, supporting transparent governance.

Certification of Claims and Returns – Annual Report

Funding from Government grant-paying departments is an important income stream for the Council. In 2009/10 the Audit Commission certified 13 claims with a total auditable value of £215million. Nine of the 13 were amended for errors and five had qualification letters sent to the grant-paying bodies.

Section 4

Significant Governance Issues

In the light of evidence reviewed in relation to 2010/11 we can confirm that the Council’s governance arrangements are robust and are being complied with. At the same time we have identified the following areas as in need of strengthening going forward to provide even greater assurance:

Risk Management At a Corporate level, Risk Management arrangements are operating well, with mechanisms in place to review risks and associated action plans periodically. However, at directorate and service level, more work is required to ensure the transparency of management of risk.

Compliance (Corporate Risk 6) There is a general requirement to re-enforce the need for compliance with policies and procedures across a range of processes.

Budgetary Control/Savings (Corporate Risk 19) Whilst mechanisms for budgetary monitoring are in place and operating well, it is recognised that the significant spending reductions required, involving re-structuring and streamlining of management layers, must be effectively managed to maintain good governance.

Project/Contract Management (Corporate Risk 5) Management of major contracts and projects is continuing to evolve to reflect changing delivery models and work is continuing to maintain and improve delivery of the stated objectives on time and within budget

Contract Monitoring (Corporate Risk 5) Client management arrangements are continuing to evolve to reflect changing delivery models and work is continuing to ensure ongoing delivery of high performing services within financial constraints.

Data Protection (Corporate Risk 10) Data protection awareness across the Council has been identified as an issue through an audit process and specific recommendations arising from that review are still to be implemented.

Business Continuity (Corporate Risk 13) It is important that managers regularly and systematically test and update the contingency plans which have been put in place.

Partnership Governance Work is progressing to implement a framework to ensure all partnership arrangements are managed consistently within a policy environment and have appropriate arrangements in place for management of risk

In accordance with the Council's Risk Management Strategy and processes, action plans are in place, and periodically reviewed and updated, to address these areas. Progress is reported to and scrutinised by CMT and Members of PAASC on a quarterly basis.

In addition, the Council's Internal Audit section concluded a report into the Council's governance arrangements in February 2011 and gave substantial assurance to management that controls in place over the Council's Corporate Governance Framework were in place and working effectively

Opinion of the Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Public Accounts and Audit Select Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We look forward to working more closely with all organisations in the community, public, private and voluntary sectors to strengthen local communities and increase prosperity.

Signed:

Councillor Liam Smith
Leader

Signed:

Stella Manzie
Chief Executive
30 June 2011

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the chief financial officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The chief financial officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Chief Financial Officer

I confirm that the Council's Statement of Accounts represent a true and fair view of the financial position of the Council at the accounting date and of its income and expenditure for the year ended 31 March 2011.

Tracie Evans

Director of Finance and Resources

(Section 151 Officer)

30 June 2011

Core Financial Statements
Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and council dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000’s	£000’s	£000’s	£000’s	£000’s	£000’s	£000’s	**£000’s**	£000’s	**£000’s**
Balance at 31 March 2009	3,713	26,779	118	1,751	-	-	-	**32,361**	1,182,152	**1,214,513**
Movement in reserves during 2009/10										
Surplus /(deficit) on the provision of services (*)	(14,404)	-	4,940	-	-		-	**(9,464)**	-	**(9,464)**
Other Comprehensive Income and Expenditure	-	-	-	-	-		-	**-**	(10,556)	**(10,556)**
Total Comprehensive Income and Expenditure	(14,404)	-	4,940	-	-		-	**(9,464)**	(10,556)	**(20,020)**
Adjustments between accounting basis & funding basis under regulations	14,402	2	(2,562)	-	2,815	39,640	(850)	**53,447**	(51,433)	**2,014**
Net Increase/Decrease before Transfers to Earmarked Reserves	(2)	2	2,378	-	2,815	39,640	(850)	**43,983**	(61,989)	**(18,006)**
Transfers to/(from) Earmarked Reserves	4,354	(5,885)	260	(1,107)	-	-	850	**(1,528)**	48	**(1,480)**
Increase/(Decrease) in 2009/10	4,352	(5,883)	2,638	(1,107)	2,815	39,640	-	**42,455**	(61,941)	**(19,486)**
Balance at 31 March 2010	8,065	20,896	2,756	644	2,815	39,640	-	**74,816**	1,120,211	**1,195,027**

*as per the Comprehensive Income and Expenditure Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Balance at 31 March 2010 carried forward	8,065	20,896	2,756	644	2,815	39,640	-	**74,816**	1,120,211	**1,195,027**
Movement in Reserves during 2010/11										
Surplus or (deficit) on provision of services (*)	112,029	-	3,459	-	-	-	-	**115,488**	-	**115,488**
Other Comprehensive Income and Expenditure	(185,695)	-	-	-	-	-	-	**(185,695)**	-	**(185,695)**
Total Comprehensive Income and Expenditure	(73,666)	-	3,459	-	-	-	-	**(70,207)**	-	**(70,207)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	85,786	(1)	(2,409)	-	2,408	15,788	2,853	**104,425**	(92,351)	**12,074**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,120	-	1,050	-	2,408	15,788	2,853	**34,218**	(92,351)	**(58,133)**
Transfers to/from Earmarked Reserves (Note 8)	(9,344)	9,810	644	(644)	-	-	-	**466**	-	**466**
Increase/(Decrease) in Year	2,776	9,809	1,694	(644)	2,408	15,788	2,853	**34,684**	(92,351)	**(57,667)**
Balance at 31 March 2011	10,841	30,705	4,450	-	5,223	55,428	2,853	**109,500**	1,027,860	**1,137,360**

*as per the Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Gross Expenditure £000's	2009/10 Gross Income £000's	2009/10 Net Expenditure £000's		2010/11 Gross Expenditure £000's	2010/11 Gross Income £000's	**2010/11 Net Expenditure £000's**
31,047	(25,759)	5,288	Central Services to the Public	26,082	(23,235)	**2,847**
54,448	(11,961)	42,487	Cultural, Environmental, Regulatory and Planning Services	40,409	(7,229)	**33,180**
320,136	(246,585)	73,551	Education and Children's Services	314,773	(252,953)	**61,820**
15,466	(13,945)	1,521	Highways and Transport Services	20,219	(6,536)	**13,683**
86,683	(90,448)	(3,765)	Local Authority Housing (HRA)	88,364	(89,282)	**(918)**
140,405	(132,189)	8,216	Other Housing Services	147,876	(140,836)	**7,040**
68,440	(14,207)	54,233	Adult Social Care	66,872	(15,255)	**51,617**
13,022	(852)	12,170	Corporate and Democratic Core	5,970	(63)	**5,907**
1,867	-	1,867	Non Distributed Costs	(77,757)	-	**(77,757)**
731,514	(535,946)	195,568	**Cost of Services (note 28)**	**632,808**	**(535,389)**	**97,419**
		7,389	Other Operating Expenditure (Note 9)			**7,759**
		16,508	Financing and Investment Income and Expenditure (Note 10)			**14,857**
		(205,061)	Taxation and Non-specific Grant Income (Note 11)			**(235,523)**
		14,404	**(Surplus) / Deficit on Provision of Services**			**(115,488)**
		(165,694)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			**284,854**
		181,840	Actuarial (Gains) / Losses on Pension Assets / Liabilities			**(99,159)**
		16,146	**Other Comprehensive Income and Expenditure**			**185,695**
		30,550	**Total Comprehensive Income and Expenditure (note 28)**			**70,207**

Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and the net assets (assets less liabilities) are matched by the Council's reserves. Reserves are reported in two categories usable reserves (see note 23) and unusable reserves (see note 24). Usable reserves are reserves which can be used to provide services, subject to maintaining a prudent level of reserves. Unusable reserves cannot be used to provide services and reflect accounting transactions (such as those arising from asset revaluations) and which could only be used to fund services when the revaluation gain is realised through the sale of the assets.

1 April 2009 £000's	31 March 2010 £000's		Note	**31 March 2011 £000's**
1,373,841	1,552,238	Property, Plant and Equipment	12	1,322,918
38,702	38,906	Investment Property	13	44,883
4,713	6,966	Intangible Assets	14	5,735
25,497	15,018	Long Term Investments	15	-
756	744	Long Term Debtors	15	891
1,443,509	**1,613,872**	**Long Term Assets**		**1,374,427**
27,835	21,399	Short term Investments	15	28,000
125	157	Inventories	16	227
49,254	52,591	Short term Debtors	18	57,616
71,151	79,508	Cash and Cash Equivalents	19	65,539
56	-	Assets held for Resale	20	-
148,421	**153,655**	**Current Assets**		**151,382**
(5,668)	(4,958)	Short Term Borrowing	15	(1,459)
(113,143)	(101,299)	Short Term Creditors	21	(89,209)
(118,811)	**(106,257)**	**Current Liabilities**		**(90,668)**
(26,139)	(25,677)	Long Term Creditors	15	(25,534)
(6,783)	(9,760)	Provisions	22	(8,888)
(50,750)	(70,000)	Long Term Borrowing	15	(70,000)
(174,694)	(360,806)	Pensions Liability	45	(193,359)
(258,366)	**(466,243)**	**Long Term Liabilities**		**(297,781)**
1,214,753	**1,195,027**	**Net Assets**		**1,137,360**
37,318	74,816	Usable Reserves	23	109,500
1,177,435	1,120,211	Unusable Reserves	24	1,027,860
1,214,753	**1,195,027**	**Total Reserves**		**1,137,360**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 £000's		Note	**2010/11 £000's**
(14,341)	Net (Surplus) or Deficit on the Provision of Services		115,488
68,779	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements		(23,983)
(59,861)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(67,075)
(5,423)	**Net Cash Flows from Operating Activities**	25	**24,430**
(1,403)	Investing Activities	26	(33,153)
13,343	Financing Activities	27	(1,747)
6,517	**Net Increase or Decrease in Cash and Cash Equivalents**		**(10,470)**
68,783	Cash and Cash Equivalents at the beginning of the Reporting Period		75,299
75,300	**Cash and Cash Equivalents at the end of the Reporting Period**	15	**64,829**

Note: Cash and Cash Equivalents at the end of the reporting period included in the Cash Flow Statement are shown net of Short Term Borrowing and Interest due on Long Term Borrowing:

2009/10 £000's			**2010/11 £000's**
75,300	**Cash and Cash Equivalents as per Cash Flow**		**64,829**
4,958	Short Term Borrowings	15	**1,459**
(750)	Less Interest accrued in short Term Borrowing		**(749)**
79,508	**Cash and Cash Equivalents as per Balance Sheet**		**65,539**

Notes to the Accounts

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its financial position at the year end of 31 March 2011. The Council is required to prepare its annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice (**BVACOP**) 2010/11 supported by International Financial Reporting Standards (**IFRS**).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2. Accruals of Income and Expenditure

The activities of the Council are accounted for in the year in which they take place not simply when cash payments are made or received. Specifically:

- Revenue for the sale of goods is recognised when the rewards and risks of ownership are transferred to the purchaser and it is probable that the economic benefit or service associated with the transaction will flow to the Council
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service associated with the transaction will flow to the Council
- Supplies are recorded as expenditure when they are used, where there is a delay between the date supplies are received and the time they are used, they are held as inventories on the Balance Sheet
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the service is received rather when payment is made
- Interest receivable from investments or payable on borrowings is accounted for as income or expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows determined by the contract
- Where revenue or expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is reduced and a charge made to revenue for the income which might not be collected

1.3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature within 3 months from the date of acquisition and that are readily convertible to know amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable of demand and form an integral part of the Council's cash management.

1.4. Exceptional Items

When items of income or expenditure are material, their nature and value is disclosed separately on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts.

1.5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current year (and future years affected by the change) and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets

- Depreciation attributable to assets used by the service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be offset
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. It is however required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either the amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses or amortisations are therefore replaced by the contribution to the General Fund Balance (Minimum Revenue Provision – MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement equal to the difference between the two.

1.7. Employee benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which

employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits
Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DofE).
- The Local Government Pensions Scheme, administered by London Borough of Barking and Dagenham Pension Fund.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the London Borough of Barking and Dagenham pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bond (rated AA or above)

- The assets of London Borough of Barking and Dagenham pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities: current bid price;
  - unquoted securities: professional estimate;
  - unitised securities: current bid price;
  - property: market value.

- The change in the net pensions liability is analysed into seven components:
  - current service cost: the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - expected return on assets: the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - gains or losses on settlements and curtailments: the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees received or charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve;
  - contributions paid to the London Borough of Barking and Dagenham pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of events, adjusting and non-adjusting:

- Where the event is supported by evidence of conditions that existed at the end of the current reporting period the Statement of Accounts is adjusted to reflect the impact of the event;

- Where the event is supported by evidence of conditions that arose after the current reporting period the Statement of Accounts is not adjusted but where the impact of the event is material the nature of the event is disclosed in a separate note setting out the nature of the event and the estimated financial impact.

1.9. Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges set out under Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council’s borrowings are stated in the balance sheet at the outstanding principal repayable, including accrued interest, and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the relevant loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement.

Financial Assets
Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in and active market;
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured a t fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the assets multiplied by the effective rate of interest for the instrument. For loans made by the Council the amount presented in the Balance Sheet is the outstanding principal receivable, including accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the relevant loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge reflected in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement or to the relevant service. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets
Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement for interest receivable are based on amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value based on the following principles:

- Instruments with quoted market prices: the market price;
- Other instruments with fixed determinable payments: discounted cash flow analysis;
- Equity shares with no quoted market prices: independent analysis of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale reserve and the gain/loss recognised in the Surplus or deficit in Revaluation of Available for Sale Financial Assets. Where impairment losses are incurred, these are debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

1.10. Government Grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG)
This is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.12. Interest in Companies and Other Entities

The Council entered into a joint venture in December 2010 but at the year end did not have a material interest in the jointly controlled entity and has not prepared group accounts. In future the scale of the interest in the joint venture may be material to require Group accounts to be prepared.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.13. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using consistent costing calculations.

1.14. Investment Properties

Investment properties are those that are used solely to earn rentals (to generate a minimum yield of 6% in accordance with the Council's standing orders) and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in

Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment (applied to write down the lease liability); and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

1.17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA **Best Value Accounting Code of Practice 2010/11 (BVACOP).** The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core: costs relating to the Council's status as a multifunctional, democratic organisation;
- Non Distributed Costs: the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.18. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Any expenditure which does not add value to the asset is written off in accordance with the accounting policy on impairment as set out below. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an

asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value).

Assets included in the Balance Sheet at fair value are revalued on a five year rolling programme to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).
Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset – between 5 and 10 years;
- infrastructure – straight-line allocation over 20 years;
- No depreciation is charged in the year of purchase or construction of an asset and assets demolished in the year will have a full year's depreciation charge.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for

Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.19. <u>Private Finance Initiative (PFI) and Similar Contracts</u>

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.
The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year : debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost: an interest charge of 10.35% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent: increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability: applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);

- life-cycle replacement costs: proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.20. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.21. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the

Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council; these reserves are explained in the relevant policies.

1.22. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.23. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards that have been issued but have not yet been Adopted

The Authority has not adopted FRS 30 in respect of accounting for **Heritage Assets**.for the year ended 31 March 2011, this will be considered during 2011/12 for inclusion in future years.

The Council's social housing stock has been valued in line with the Department of Communities and Local Government's (CLG) "Stock Valuation for Resource Accounting Guidance for Valuers" which is based on the existing use value for social housing (EUV-SH). This methodology is a departure from International Accounting Standards but is in accordance with current CIPFA and Treasury guidance.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The key critical judgement made in the Statement of Accounts is:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment	Effect if actual results differ from assumptions
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £600k for every year that useful lives had to be reduced.
Pensions Liability	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £57.7m. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had reduced by £167.4m as a result of estimates being changed (attributable to updating of the assumptions, specifically the use of the Consumer Price Index)
Arrears	
At 31 March 2011, the Council had a significant balance of debtors against which appropriate provisions had been made. However due to the uncertain economic landscape and changes to the national benefit framework it is not certain that such an allowance would be sufficient.	In order to mitigate the uncertainty in prevailing debt recovery rates a general contingency amounting to £0.8m has been created to manage the risk associated with the non collection of debt.

The list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Material Items of Income and Expense

During the year the basis of valuation for council housing was changed by the Treasury resulting in a large reduction in the value of Council Dwellings set out in note 12. As the impairment is specific to the council's housing services it would normally be included as part of the Cost of Service in the Comprehensive Income and Expenditure Statement however due to the size of the change in value it has been included within the Deficit on Revaluation of Property, Plant and Equipment so as not to distort the underlying cost of Housing Services; further information is provided in notes 12 and 42.

As a result of a landmark decision in the House of Lords, the Authority successfully secured a refund of overpaid tax in respect of previous years. The amount of £868k was included in the Comprehensive Income and Expenditure Statement net of professional advisors' fees in 2009/10; the comparable amount for 2010/11 was £58k.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 30 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

None known at the 30 June 2011

7. Adjustments between accounting basis and funding basis under regulations

	General Fund Balance £'000's	Housing Revenue Account (HRA) £'000's	Major Repairs Reserve £'000's	Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	Movement in Unusable Reserves £'000's
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	23,757	-	-	-	-	(23,757)
Revaluation losses on Property Plant and Equipment	239,323	-	-	-	-	(239,323)
Movements in the market value of Investment Properties	-	-	-	-	-	-
Amortisation of intangible assets	1,616	-	-	-	-	(1,616)
Capital grants and contributions applied	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	4,536	-	-	-	-	(4,536)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,252	-	-	-	-	(2,252)
Revaluation gains	(70,315)	-	-	-	-	70,315
Revaluation losses (chargeable to revaluation reserve)	115,846	-	-	-	-	(115,846)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(4,021)	-	-	-	-	4,021
Capital expenditure charged against the General Fund and HRA balances	-	-	-	-	-	226
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(60,351)	-	-	-	60,351	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(54,925)	55,557

Adjustments primarily involving the Capital Receipts Reserve:	General Fund Balance £000’s	Housing Revenue Account (HRA) £000’s	Major Repairs Reserve £000’s	Capital Receipts Reserve £000’s	Capital Grants Unapplied £000’s	Movement in Unusable Reserves £000’s
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,378)	(3,346)	-	6,724	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(227)	-	227
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	4,163	-	-	(4,163)	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	(421)	421	(421)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	(10,628)	-	-	10,628
Reversal of Depreciation charged to HRA	-	-	14,390	-	-	(14,390)
Adjustments primarily involving the Pensions Reserve:						
Movement in Pensions Reserve	(99,159)	-	-	-	-	99,159
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(50,946)	1,368	-	-	-	49,578
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,027)	(976)	-	-	-	18,710
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(759)	-	-	-	-	759
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,175	122	-	-	-	(1,297)
Other Adjustments	(1,508)	2	(488)	74	10,362	1,487
Total Adjustments	**85,786**	**(2,409)**	**2,853**	**2,408**	**15,788**	**(92,351)**

8. Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11. The basis for the note has changed from the last financial year in that the Schools' absence reserve has now been combined with the DSG reserve and the HRA rent reserve has been combined with the HRA working balance.

	Balance at 1/4/2009	Transfers in during 2009/10	Transfers out during 2009/10	Balance at 31/3/2010	**Transfers in during 2010/11**	**Transfers out during 2010/11**	**Balance at 31/3/2011**
General Fund	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**
Balances held by schools under a scheme of delegation:							
Dedicated Schools Grant	3,436	22	(234)	3,224	4,466	(3,224)	**4,466**
Local Management of Schools	8,316	2,158	(957)	9,517	10,730	(10,289)	**9,958**
Leasehold Repairs	5,533	531	(534)	5,530	539	-	**6,069**
Operational Delivery	-	-	-	-	1,750	-	**3,230**
Corporate Restructuring	-	-	-	-	2,505	-	**2,505**
Spend to Save	1,673	-	(1,040)	633	2,088	(638)	**2,083**
Barking Adult College	701	1	-	702	1,068	(702)	**1,068**
Insurance	4,988	-	(4,988)	-	1,000	-	**1,000**
Budget Support					1,000		**1,000**
Other	2,132	100	(944)	1,290	569	(1,051)	**808**
Total General Fund	26,779	2,812	(8,697)	20,896	**25,715**	**(15,904)**	**30,707**
HRA	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**
Insurance	892	-	(892)	-	-	-	**-**
Rent Reserve	859	-	(215)	644	-	(644)	**-**
Total HRA	1,751	-	(1,107)	644	**-**	**(644)**	**-**

9. Other Operating Expenditure

	2009/10 £000's	**2010/11 £000's**
Levies	7,642	**8,127**
Payments to the Government Housing Capital Receipts Pool	3,256	**4,163**
Gains/losses on the disposal of non-current assets	(2,641)	**(4,473)**
VAT Refund	(868)	**(58)**
Total	7,389	**7,759**

10. Financing and Investment Income and Expenditure

	2009/10 £000's	**2010/11 £000's**
Interest payable and similar charges	5,947	**5,635**
Pensions interest cost and expected return on pensions assets	13,953	**11,051**
Interest receivable and similar income	(3,486)	**(1,452)**
Income and expenditure in relation to investment properties and changes in their fair value	(1,107)	**(1,098)**
Other investment income	-	**-**
(Gains) / Losses on Trading Accounts	1,201	**721**
Total	16,508	**14,857**

11. Taxation and Non Specific Grant Income

	2009/10 £000's	**2010/11 £000's**
Council tax income	(51,961)	**(52,745)**
Non domestic rates	(80,599)	**(89,752)**
Non-ring fenced government grants	(40,426)	**(32,675)**
Capital grants and contributions	(32,075)	**(60,351)**
Total	(205,061)	**(235,523)**

12. Property Plant and Equipment

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant, Furniture & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Assets Under Construction £000's	**Total Property Plant & Equipment £000's**	PFI Assets Included in Property, Plant & Equipment £000's
Cost or Valuation								
At 1 April 2010	1,006,285	417,000	34,656	119,603	10,831	26,029	**1,614,404**	48,532
Additions	15,722	34,912	4,763	12,600	2,033	24,240	**94,270**	-
Donations	-	-	-	-	-	-	**-**	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(114,701)	49,878	-	-	-	-	**(64,823)**	-
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the provision of Services	(253,227)	(1,646)	-	-	-	-	**(254,873)**	-
De-recognition- disposals	(2,195)	(57)	-	-	-	-	**(2,252)**	-
De-recognition- other	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	**-**	-
Other movements	-	13,381	638	-	-	(13,381)	**638**	-
Cost or Valuation at 31 March 2011	**651,884**	**513,468**	**40,057**	**132,203**	**12,864**	**36,888**	**1,387,364**	**48,532**

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant, Furniture & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Assets Under Construction £000's	**Total Property Plant & Equipment £000's**	PFI Assets Included in Property, Plant & Equipment £000's
Accumulated Depreciation & Impairment								
At 1 April 2010	1	(18,359)	(18,932)	(24,441)	(435)	-	**(62,166)**	(1,375)
Depreciation charge	(13,904)	(10,372)	(5,422)	(5,967)	-	-	**(35,665)**	(1,213)
Depreciation written out to the Revaluation Reserve	-	18,694	-	-	-	-	**18,694**	-
Depreciation written out to the Surplus/ Deficit on the Provision of Services	13,904	-	-	-	-	-	**13,904**	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	597	-	-	-	-	**597**	-
Impairment losses/(reversals) recognised in the Surplus/ Deficit on the Provision of Services	-	318	-	-	-	-	**318**	-
De-recognition- disposals	-	-	-	-	-	-	**-**	-
Other movements	-	-	(128)	-	-	-	**(128)**	-
Accumulated Depreciation & Impairment at 31 March 2011	**1**	**(9,122)**	**(24,482)**	**(30,408)**	**(435)**	**-**	**(64,446)**	**(2,588)**
Net Book Value								
- **at 31 March 2011**	**651,885**	**504,346**	**15,575**	**101,795**	**12,429**	**36,888**	**1,322,918**	**45,944**
- at 1 April 2010	1,006,286	398,641	15,724	95,162	10,396	26,029	1,552,238	47,157

13. Investment Properties

Investment Properties are assets owned by the Council and are held solely to earn rentals or for capital appreciation or both.

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2009/10 £000's	**2010/11** **£000's**
Rental income from investment property	2,913	**2,564**
Direct operating expenses arising from investment property	(918)	**(626)**
Net gain	1,995	**1,938**

The net gain includes an HRA surplus of £841k (2009/10 £888k) which has been adjusted for in arriving at the net income in relation to Investment Properties as set out in note 10.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Investment Properties are shown at fair value at the balance sheet date and are subject to revaluation as part of the Council's five-year rolling revaluation process and any changes in valuation are reflected in the fair value of the assets. The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000's	**2010/11** **£000's**
Balance at start of the year	38,702	**38,906**
Additions:		
Subsequent expenditure	-	**7,000**
Disposals	(13)	**-**
Net gains/losses from fair value adjustments	217	**-**
Transfers:		
to/from Property, Plant and Equipment	-	**(1,023)**
Balance at end of the year	38,906	**44,883**

14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all intangible assets is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.6m charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2009/10 £000's	**2010/11 £000's**
Balance at Start of Year		
Gross Carrying Amount	5,746	**8,589**
Accumulated Depreciation	(1,033)	**(1,623)**
Net Carrying Amount at Start of Year	4,713	**6,966**
Additions		
Internal Development	70	**-**
Purchases	2,773	**384**
Amortisation for the period	(590)	**(1,615)**
Net Carrying Amount at the End of the Year	6,966	**5,735**

The internally generated intangible asset in 2009/10 relates to the development of the Council's website.

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Instruments	Long Term		Current	
	2009/10 £000's	**2010/11 £000's**	2009/10 £000's	**2010/11 £000's**
Cash and Cash Equivalents				
Financial assets at fair value through profit and loss	-	**-**	79,508	65,539
Total Cash and Cash Equivalents	-	**-**	79,508	**65,539**
Investments				
Loans and Receivables	15,018	**-**	21,399	28,000
Available-for-sale-assets	-	**-**	-	**-**
Unquoted equity investment at cost	-	**-**	-	**-**
Financial assets at fair value through profit and loss	-	**-**	-	**-**
Total Investments	15,018	**-**	21,399	**28,000**
Debtors				
Loans and Receivables	744	891	-	**-**
Financial assets carried at contract amounts	-	**-**	46,855	47,119
Total Debtors	744	**891**	46,855	**47,119**
Borrowings				
Financial Liabilities at amortised cost	70,000	70,000	4,958	1,459
Financial Liabilities at fair value through profit and loss	-	**-**	-	**-**
Total Borrowings	70,000	**70,000**	4,958	**1,459**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	25,678	25,534		
Total Long Term Liabilities	25,678	**25,534**		
Creditors				
Financial Liabilities at amortised cost	-	**-**	-	**-**
Financial liabilities carried at contract amount	-	**-**	87,549	**74,421**
Total Creditors	-	**-**	87,549	**74,421**

Reclassifications

With the exception of reclassifications as a result of the adoption of International Financial Reporting Standards, no financial instruments have been reclassified within the 2010/11 financial year.

Income, Expense, Gains and Losses

	2009/10				**2010/11**			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and Receivables**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**
	£000's	£000's	£000's	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Interest Expense	(2,157)	-	-	(2,157)	**(2,015)**	**-**	**-**	**(2,015)**
Losses on derecognition	-	-	-	-	**-**	**-**	**-**	**-**
Reductions in fair value	-	-	-	-	**-**	**-**	**-**	**-**
Impairment losses	-	-	-	-	**-**	**-**	**-**	**-**
Fee Expense	-	-	(75)	(75)	**-**	**-**	**(106)**	**(106)**
Total expense in Surplus or Deficit on the Provision of Services	(2,157)	-	(75)	(2,232)	**(2,015)**	**-**	**(106)**	**(2,121)**
Interest income	-	823	611	1,434	**-**	**2,163**	**1,303**	**3,466**
Interest income accrued on impaired financial assets	-	-	-	-	**-**	**-**	**-**	**-**
Increases in fair value	-	-	-	-	**-**	**-**	**-**	**-**
Gains on derecognition	-	-	-	-	**-**	**-**	**-**	**-**
Fee income	-	-	-	-	**-**	**-**	**-**	**-**
Total income in Surplus or Deficit on the Provision of Services	-	823	611	1,434	**-**	**2,163**	**1,303**	**3,466**
Gains on revaluation	-	-	-	-	**-**	**-**	**-**	**-**
Losses on revaluation	-	-	-	-	**-**	**-**	**-**	**-**
Amounts recycled to the Surplus or Deficit on Provision of Services after impairment	-	-	-	-	**-**	**-**	**-**	**-**
Surplus/Deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**
Net gain (loss) for the year	(2,157)	823	536	(798)	**(2,015)**	**2,163**	**1,197**	**1,345**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2011 of 2.12% to 3.01% for loans from the PWLB and 3.61% to 4.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount. The fair values calculated are as follows:

	2009/10		**2010/11**	
	Carrying Amount £000's	Fair Value £000's	**Carrying Amount £000's**	**Fair Value £000's**
Financial Liabilities	70,750	76,046	**70,749**	**73,829**
Long-term creditors	87,549	87,549	74,421	74,421

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

For each of the financial years reported, the Council held no Long Term Creditor balance. In instances where a balance is reported, the Council takes the position that the carrying value of the liabilities fully reflects their fair value.

16. Inventories

	Consumable Stores		**Total**	
	2009/10 £000's	**2010/11 £000s**	2009/10 £000's	**2010/11 £000s**
Balance outstanding at start of year	125	**157**	125	**157**
Purchases	777	**944**	777	**944**
Recognised as an expense in the year	(656)	**(879)**	(656)	**(879)**
Written off balances	(89)	**5**	(89)	**5**
Reversals of write-offs in previous years	-	**-**	-	**-**
Balance outstanding at year-end	157	**227**	157	**227**

17. Construction Contracts

At 31 March 2011 the Council had no construction contracts in operation for which it was responsible for the delivery of the project. Construction contracts provided by third party contractors are disclosed in Property Plant and Equipment as assets under construction.

18. Debtors

	2009/10 £000's	**2010/11 £000s**
Central Government Bodies	29,133	**24,621**
Other Local Authorities	2,429	**1,875**
NHS Bodies	-	**703**
Public Corporations and Trading Funds	-	**-**
Other Entities and Individuals	21,028	**30,417**
Total	52,590	**57,616**

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2009/10 £000's	**2010/11 £000s**
Cash held by the Council	36	**37**
Short-term deposits (less than 3 months to maturity at Balance Sheet date)	10,001	**7,500**
Deposits at Call	69,471	**58,002**
Total Cash and Cash Equivalents	79,508	**65,539**

20. Assets Held for Resale

The council did not hold any Assets for Resale at the 31 March 2011 (31 March 2010; none)

21. Creditors

	2009/10 £000's	**2010/11 £000s**
Central Government Bodies	29,780	**27,962**
Other Local Authorities	5,619	**5,026**
NHS Bodies	-	**2,912**
LBBD Pension Fund	28,376	**15,338**
Other Entities and Individuals	37,524	**37,971**
Total	101,299	**89,209**

22. Provisions

	Insurance £000's	Other provisions £000's	Total Provisions £000s
Balance Outstanding at 1 April 2010	(9,500)	(260)	(9,760)
Additional provisions made in 2010/11	(1,405)	-	(1,405)
Amounts used during 2010/11	2,256	21	2,277
Balance Outstanding at 31 March 2011	**(8,649)**	**(239)**	**(8,888)**

Insurance Claims

Provision is made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. The Council may be reimbursed by its insurers but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £150k excess.

Other Provisions

All other provisions are individually insignificant.

23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and also in note 8.

24. Unusable Reserves

31 March 2010 £000's	**Unusable Reserves**	**31 March 2011 £000's**
221,375	Revaluation Reserve	**173,832**
-	Available for Sale Financial Instruments Reserve	**-**
1,261,593	Capital Adjustment Account	**1,048,445**
-	Financial Instruments Adjustment Account	**-**
	Deferred Capital Receipts Reserve	**-**
(360,806)	Pensions Reserve	**(193,359)**
(521)	Collection Fund Adjustment Account	**239**
(1,430)	Accumulated Absences Account	**(1,297)**
1,120,211	**Total Unusable Reserves**	**1,027,860**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- used in the provision of services and the gains are consumed through depreciation,
- revalued downwards or impaired and the gains are lost, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2010 £000's	Revaluation Reserve	31 March 2011 £000's
62,231	**Balance at 1 April**	**221,375**
169,617	Upward revaluation of assets	**70,315**
(3,923)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(115,846)**
(320)	Accumulated gains on assets sold or scrapped	**(54)**
	Amount written off to the Capital Adjustment Account historical cost depreciation	
(1,701)	Difference between fair value depreciation and historical cost depreciation	**(1,958)**
(4,529)	Other Adjustments	**-**
221,375	**Balance at 31 March**	**173,832**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2010 £000's	**Capital Adjustment Account**	**31 March 2011 £000's**
1,285,373	**Balance at 1 April**	**1,261,593**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(69,613)	- Charges for depreciation and impairment of noncurrent assets	**(36,819)**
	- Revaluation losses on Property, Plant and Equipment	**(240,651)**
(590)	Amortisation of intangible assets	**(1,616)**
(7,398)	Revenue expenditure funded from capital under statute	**(4,536)**
(5,462)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(2,252)**
5,945	Adjusting amounts written out of the Revaluation Reserve	**2,010**
	Capital financing applied in the year;	
2,153	- Use of the Capital Receipts Reserve to finance new capital expenditure	**227**
14,340	- Use of the Major Repairs Reserve to finance new capital expenditure	**10,627**
	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**55,558**
	- Application of grants to capital financing from the Capital Grants Unapplied Account	
1,686	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	**4,021**
825	- Capital expenditure charged against the General Fund and HRA balances	**226**
34,334	Other Adjustments	**57**
1,261,593	**Balance at 31 March**	**1,048,445**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Council makes the employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2010 £000's	Pension Reserve	31 March 2011 £000's
(174,693)	**Balance at 1 April**	**(360,806)**
(181,840)	Actuarial gains or losses on pensions assets and liabilities	**99,159**
(26,077)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**49,578**
21,804	Employer's pensions contributions and direct payments to pensioners payable in the year	**18,710**
(360,806)	**Balance at 31 March**	**(193,359)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2010 £000's	Collection Fund Adjustment Account	31 March 2011 £000's
(569)	**Balance at 1 April**	**(521)**
48	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**760**
(521)	**Balance at 31 March**	**239**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2010 £000's	Accumulated Absences Account	31 March 2011 £000's
1,350	**Balance at 1 April**	**1,430**
(1,350)	Settlement or cancellation of accrual made at the end of the preceding year	**(1,430)**
1,430	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**1,297**
1,430	**Balance at 31 March**	**1,297**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000's		2010/11 £000's
5,440	Interest received (cash based)	**2,246**
(5,947)	Interest paid (cash based)	**(5,636)**

26. Cash Flow Statement – Investing Activities

2009/10 £000's		2010/11 £000's
(89,210)	Purchase of property, plant and equipment, investment property and intangible assets	**(107,521)**
(5,039)	Net Increase/(decrease) in short-term and long-term investments	**7,500**
(200)	Other payments for investing activities	**(304)**
8,303	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**6,869**
84,743	Other receipts from investing activities	**60,303**
(1,403)	**Net Cash Flows from Investing Activities**	**(33,153)**

27. Cash Flow Statement – Financing Activities

2009/10 £000's		**2010/11 £000's**
20,000	Cash receipts of short- and long-term borrowing	**-**
(2,980)	Other receipts from financing activities	**(1,247)**
(3,300)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**(500)**
(377)	Other payments for financing activities	**-**
13,343	**Net Cash Flows from Financing Activities**	**(1,747)**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across departments.. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to departments.

Comparatives in respect of the 2009/10 Subjective Analysis were not available.

The income and expenditure of the Council's principal departments, as recorded in the budget monitoring reports for the year, is as follows:

Departmental Income and Expenditure 2010/11	**Adults Services £000's**	**Children's Services £000's**	**Customer Services £000's**	**Finance & Resources £000's**	**Total £000's**
Fees, charges & other service income	(18,337)	(14,350)	(26,880)	(6,852)	(66,419)
Government grants	(3,056)	(19,646)	(144,813)	-	(167,515)
Total Income	**(21,393)**	**(33,996)**	**(171,693)**	**(6,852)**	**(233,934)**
Employee expenses	26,717	34,414	30,042	32,567	123,740
Other service expenses	59,291	58,269	190,156	17,849	325,565
Support service recharges	5,336	3,226	(20,302)	(32,152)	(43,892)
Total Expenditure	**91,344**	**95,909**	**199,896**	**18,264**	**405,413**
Net Expenditure	**69,951**	**61,913**	**28,203**	**11,412**	**171,479**

Departmental Income and Expenditure 2009/10	Adults Services £000's	Children's Services £000's	Customer Services £000's	Finance & Resources £000's	Total £000's
Fees, charges & other service income	(40,909)	(31,496)	(62,298)	(53,791)	(188,494)
Government grants	(2928)	(16,506)	(135,516)	-	(154,950)
Total Income	**(43,837)**	**(48,002)**	**(197,814)**	**(53,791)**	**(343,444)**
Employee expenses	32,560	33,864	35,492	38,171	140,087
Other service expenses	61,467	52,845	174,547	17,765	306,624
Support service recharges	17,351	15,588	13,832	12,333	59,104
Total Expenditure	**111,378**	**102,297**	**223,871**	**68,269**	**505,815**
Net Expenditure	**67,541**	**54,295**	**26,057**	**14,478**	**162,371**

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000's	**2010/11 £000's**
Net expenditure in the Departmental Analysis	162,371	**171,479**
Net expenditure of services and support services not included in the Analysis	(10,440)	**(14,380)**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	38,683	**(58,508)**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	4,954	**(1,172)**
Cost of Services in Comprehensive Income and Expenditure Statement	195,568	**97,419**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Departmental Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	**Cost of Services**	Corporate Amounts	**Total**
	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Fees, charges & other service income	(66,419)	(129,018)	12,177	8,910	**(174,350)**	(8,968)	**(183,318)**
Interest and investment income						(1,452)	**(1,452)**
Income from council tax						(52,745)	**(52,745)**
Government grants and contributions	(167,515)	(193,523)			**(361,038)**	(182,778)	**(543,816)**
Total Income	(233,934)	(322,541)	12,177	8,910	**(535,389)**	(245,943)	**(781,331)**
Employee expenses	123,740	148,271	(76,108)		**195,903**		**195,903**
Other service expenses	325,565	146,954	1,103	(10,082)	**463,540**	8,533	**472,073**
Support Service recharges	(43,892)	12,936			**(30,956)**		**(30,956)**
Depreciation, amortisation and impairment			8,313		**8,313**		**8,313**
Interest Payments			(3,993)		**(3,993)**	16,686	**12,693**
Precepts & Levies						8,127	**8,127**
Payments to Housing Capital Receipts Pool						4,163	**4,163**
Deficit on Revaluation of Property ,Plant and Equipment						284,854	**284,854**
Actuarial gain on Pension assets						(99,159)	**(99,159)**
(Gain) / Loss on Disposal of Fixed Assets						(4,473)	**(4,473)**
Total Expenditure	405,413	308,161	(70,685)	(10,082)	**632,807**	(218,731)	**851,538**
(Surplus) / Deficit	171,479	(14,380)	(58,508)	(1,172)	**97,419**	(27,212)	**(70,207)**

Comparative figures for 2009/10 are not available

29. Acquired and Discontinued Operations

On 7^{th} December 2010 the Council entered into a joint venture arrangement with Agilysis to create “Elevate” in which the parties each hold a 50% share in the equity of the joint venture company. The contract is for a period of seven years, with the option to extend for a further three years, at an average annual cost of £18m.

Elevate are contracted to provide the Council with services in respect of:

- **ICT:** Elevate will offer a reliable and secure IT Service, providing innovative solutions to ensure that ICT is an enabler of business transformation and efficiency
- **Customer Services:** Elevate is building on well-established Customer Services operations as well as a strong heritage in developing online services to deliver an outstanding multi-channel customer service offering.
- **Revenues and Benefits:** Elevate offers clients the ‘Next Generation’ of Revenues and Benefits Service, turning the traditional, outdated model of outsourcing on its head. By focussing the design on customers,
- **Procurement Outsourcing:** Elevate is working with the council to transform Procurement capabilities to meet the needs of increasingly challenging environments.

The Joint venture is expected to operate at break-even in the initial contact term and will utilise certain non-current assets owned by the council. The council has chosen not to prepare Group Accounts to reflect the assets and liabilities of the joint venture in 2010/11 accounts as:

- The costs associated with the joint venture service provision are included in the Comprehensive Income and Expenditure Account;
- The Council has retained ownership of the non-current assets utilised by the joint venture in providing the services to the council;
- The joint venture is not providing services to any other third parties
- The net worth of the joint venture as at 31 March 2011 is nil.

30. Trading Operations

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations.

- **Teachers Accommodation:** The Council provides an accommodation block for teachers new to the borough.

- **Barking Market**: The Council operates an open air street market in the centre of Barking generating rental income from stall holders. Management of the market is the responsibility of a third party organisation under a 15 year contract (from April 2000). The Council operates the market as a trading activity and is permitted to make a surplus. The (surplus)/deficit amounts reported below include the Council’s full costs of operating the market.

- **Eastbury Manor:** This is an Elizabethan Manor House, owned by the National Trust and managed by Barking and Dagenham. It acts as a venue for civil weddings and partnerships and rooms can also be hired for meetings and conferences

- **Catering:** An internally operated catering operation provides catering for both schools and council offices

- **Castle Green:** This is a centre for the community that incorporates the Jo Richardson school. There are both sporting and conference facilities that can be hired.

Details of those units with a turnover of greater than £50k in 2010/11 are as follows:

	2009/10 £000's	**2010/11 £000's**
1. Teachers Accommodation		
Expenditure	176	**116**
Turnover	(242)	**(233)**
(Surplus)/Deficit	(66)	**(117)**
2. Barking Market		
Expenditure	835	**859**
Turnover	(644)	**(869)**
(**Surplus)/Deficit**	191	**(10)**
3. Eastbury Manor		
Expenditure	313	**311**
Turnover	(73)	**(69)**
(Surplus)/Deficit	240	**241**
4. Catering		
Expenditure	6,771	**6,825**
Turnover	(5,940)	**(6,206)**
(**Surplus)/Deficit**	831	**619**
5. Castle Green		
Expenditure	1,322	**1,402**
Turnover	(1,317)	**(1,414)**
(**Surplus)/Deficit**	5	**(12)**
Total (Surplus)/Deficit from Trading Operations	1,201	**721**

The financial results of the trading operations are incorporated into the Comprehensive Income and Expenditure Statement, with a net deficit of £737k being included within net cost of services.

31. Agency Services

The Council carries out certain work for the East London Waste Authority (ELWA) on an agency basis for which it is reimbursed by way of a management fee. The areas of work relate to its role as Clerk to ELWA, carrying out administrative and legal work on their behalf. The financial position is shown below:

Agency Services	2009/10 £000's	**2010/11 £000's**
Expenditure incurred in providing services to ELWA	474	**563**
Management fee payable by ELWA	(458)	**(636)**
Net (surplus)/deficit arising on the agency arrangement	16	**(73)**

The Council provided services for Thames Gateway London Partnership (TGLP) in 2009/10. No such service was provided in 2010/11 as responsibility for managing the Partnership passed to the London Borough of Newham on 1st April 2011 and the value of the fund as at 31 March 2010 subsequently transferred.

32. Pooled Budgets

The Council does not have any partnership schemes covered by Section 31 of the Health Act 1999.

33. Members Allowances

The Authority paid the following amounts to members of the council during the year.

	2009/10 £000's	**2010/11 £000's**
Salaries	510	**475**
Allowances	260	**222**
Expenses	3	**22**
Employers NI	55	**50**
Employers Pension	55	**64**
Total	883	**833**

34. Senior Officers' Remuneration (including Teachers)

Additional disclosure requirements have been introduced as a result of Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 to increase transparency and accountability for reporting the remuneration of senior employees (those who have executive decision making power). The disclosure requirements now comprise the following:

(a) an analysis of the number of employees whose remuneration is in excess of £50k in bands of £5k and
(b) an additional requirement listing those senior employees whose salary is £50k or more per year but less than £150k by way of job title and
(c) a list of those employees whose salary is in excess of £150k by name and job title.

'Remuneration' is defined as all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (insofar as those sums are chargeable to United Kingdom

income tax) and the estimated monetary value of any benefits received by an employee other than in cash (e.g. benefits in kind).

'Salary' is generally accepted as the amount received under a contract of employment for services rendered (before the deduction of pension contributions) other than bonuses, allowances, benefits in kind or compensation payments.

a) Analysis of employees whose remuneration is in excess of £50,000

	2009/10		**2010/11**	
	Non-Teaching Employees	**Teaching Employees**	**Non-Teaching Employees**	**Teaching Employees**
£50,000 - £54,999	50	198	45	204
£55,000 - £59,999	36	81	27	117
£60,000 - £64,999	25	41	24	39
£65,000 - £69,999	15	23	11	24
£70,000 - £74,999	12	14	10	19
£75,000 - £79,999	3	12	2	8
£80,000 - £84,999	3	6	2	13
£85,000 - £89,999	13	4	12	4
£90,000 - £94,999	2	3	3	2
£95,000 - £99,999	-	3	1	3
£100,000 - £104,999	-	1	-	1
£105,000 - £109,999	3	1	1	3
£110,000 - £114,999	1	2	1	-
£115,000 - £119,999	1	1	-	-
£120,000 - £124,999	1	-	1	-
£125,000 - £129,999	-	-	1	-
£130,000 - £134,999	3	-	2	1
£135,000 - £139,999	-	-	-	1
£140,000 - £144,999	-	-	2	1
£150,000 - £154,999	-	1	-	-
£155,000 - £159,999	-	-	-	1
£160,000 - £164,999	-	2	-	-
£170,000 - £174,999	-	-	-	1
£185,000 - £189,999	1	-	-	-
£240,000 - £249,999	-	-	1	**-**
Total	**169**	**393**	**146**	**442**

b) Senior Officers whose salary is between £50,000 and £150,000 per year

Post Held	Year	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Total (excluding pension contributions)	Employer's Pension Contribution	Total (including pension contributions)
			£'s	**£'s**	**£'s**	**£'s**	**£'s**	**£'s**	**£'s**
Corporate Director Adult & Community Services	**2010/11**		**131,252**	**-**	**-**	**-**	**131,252**	**25,034**	**156,286**
	2009/10		131,757						
Corporate Director Children's Services	**2010/11**		**132,171**	**-**	**-**	**-**	**132,171**	**25,150**	**157,321**
	2009/10		126,389						
Corporate Director Customer Services	**2010/11**	**1**	**130,358**	**-**	**-**	**-**	**130,358**	**24,955**	**155,313**
	2009/10		133,044						
Corporate Director of Finance and Commercial Services	**2010/11**	**2**	**145,000**	**-**	**-**	**-**	**145,000**	**27,550**	**172,550**
	2009/10		36,250						
Corporate Director of Resources	**2010/11**	**3**	**-**						
	2009/10		131,757						
Thames Gateway London Partnership									
Chief Executive	**2010/11**	**4**	**-**						
	2009/10		116,595						

Notes

Note 1 The post was held by two people during the period. The annual salary is £131,757.

Note 2 The title of this post changed to Corporate Director Finance & Resources, effective from 21 February 2011. The annualised salary is £145,000, including a market supplement of £3,112.

Note 3 The post was deleted as part of the Council's restructure. The post holder left on 31/3/2010.

Note 4 The Council ceased to be the accounting body for the Thames Gateway London Partnership on 31 March 2010.

c) Senior Officers whose salary is £150,000 or more per year

Post Held	Year	Notes	Salary, Fees & Allowances £'s	Bonuses £'s	Expense Allowances £'s	Compensation for Loss of Employment £'s	Total (excluding pension contributions) £'s	Employer's Pension Contribution £'s	Total (including pension contributions) £'s
Chief Executive ***Stella Manzie***	**2010/11**	**1**	**162,075**	**-**	**12**	**-**	**162,087**	**30,745**	**192,832**
	2009/10		189,533						
Head Teacher Sydney Russell Comprehensive School ***Roger Leighton***	**2010/11**	**2**	**156,497**	**-**	**-**	**-**	**156,497**	**22,066**	**178,563**
	2009/10		151,039						
Head Teacher Robert Clack Comprehensive School ***Sir Paul Grant***	**2010/11**	**3**	**173,209**	**-**	**1,159**	**-**	**174,368**	**24,198**	**198,566**
	2009/10		164,384						

Note 1 The former Chief Executive, Robert Whiteman left on 16 May 2010 (Salary etc. paid £23,946). David Woods acted in the role from 17 May 2010 to 27 March 2011 (Salary etc. paid £125,370). Stella Manzie was appointed new Chief Executive on 1 March 2011 (Salary etc. paid £12,500). The annual salary for the post is £150,000.

Note 2 Roger Leighton's salary includes a market supplement of £45,334 and £33 related to teachers' council registration. His annual salary is £111,130.

Note 3 Sir Paul Grant's salary includes a market supplement of £60,456, £1,590 mid-day supervision payment and £33 related to teachers' council registration. His annual salary is £111,130.

35. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and the certification of grant claims and to non-audit services provided by the Council's appointed external auditors, the Audit Commission.

	2009/10 £000's	**2010/11** **£000's**
Fees payable to the Audit Commission with regard to external audit services carried out in the year.	390	**405**
Fees payable to the Audit Commission in respect of statutory Inspections.	20	**44**
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	110	**130**
Fees payable in respect of other services provided by the Audit Commission.	-	**-**
Total	520	**579**

36. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual School Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Total 2009/10 £000's		Central Costs £000's	ISB £000's	**Total 2010/11** **£000's**
144,030	Final DSG for year			**154,312**
3,225	Brought forward from previous year			**3,224**
-	Carry forward to future years agreed in advance			**(1,991)**
147,255	Agreed budgeted distribution in the year	16,250	139,295	**155,545**
(13,114)	Actual central expenditure	(11,784)	-	**(11,784)**
(130,916)	Actual ISB deployed to schools	-	(139,295)	**(139,295)**
3,225	Carry forward to future years	4,466	-	**4,466**

37. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/10 £000's	**2010/11** **£000's**
Amounts credited to Taxation and Non Specific grant Income		
Revenue Support Grant	18,603	**13,033**
Area Based Grant (ABG)	16,188	**19,643**
Supporting People Grant	5,418	**-**
Housing & Planning Delivery Grant	217	**-**
Capital Grants	32,075	**60,351**
Amounts Credited to Services		
Home Office Grants	486	**1,068**
Department of Health Grants	1,548	**1,939**
Communities and Local Government Grants	150	**640**
Youth Justice Board Grants	741	**869**
Department for Education Grants	190	**311**
Department of Work and Pensions Grant	135,162	**144,189**
Skills Funding Agency	3,063	**2,982**
London Development Agency	-	**317**
Department for Children, Schools & Families	24,561	**26,884**
Dedicated Schools Grant (DSG)	144,030	**154,312**
Standards Fund	23,036	**26,864**
Young People's Learning Agency	245	**336**
Teacher's Development Agency	194	**210**
Other	-	**267**

The Council has recognised all grants, contributions and donations as income as they do not have conditions attached to them that will require the grants, contributions and donations to be returned to the giver.

38. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective

analysis in Note 28 on reporting for resources allocation decisions. Grant received during the year are e further analysed in Note 37.

Members
Members of the Council have direct control over the Council's financial and operating policies.

The total of members' allowances paid in 2010/11 is shown in Note 33. During 2010/11, no works or services were commissioned from companies in which members had an interest. Contracts were entered into in full compliance with the Council's standing orders.

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

Officers
During 2010/11 the Senior Officers of the Council held no pecuniary interests in accordance with section 117 of the Local Government Act 1972 in contracts entered into by the Council.

Other Public Bodies [subject to common control by central government]
The Council does not operate any "pooled budget" arrangements within the definition of Section 31 of the Health Act 1999. .

Pension fund
The Council is the administering body of the Barking and Dagenham Pension Fund and has made arrangements for the proper administration of its financial affairs through the appointment of one of its officers.

Entities Controlled or Significantly Influenced by the Council
The Council does not control or significantly influence any entities. It does participate in a joint venture the details of which are set out in note 29.

A number of elected members are either Directors or Trustees of a number of bodies that deliver services to the community or work in partnership with the Council the most significant of which are set out below:

- Councillor Evelyn Carpenter is a member of the Corporation of Barking and Dagenham College for which no remuneration is received;
- Councillor JR White is the Council appointed member of the Elevate Limited Liability Partnership Board for which no remuneration is received. Details of the Council's joint venture with Elevate are given in note 29;
- Councillors GM Vincent and G Letchford are Council appointed members of the East London Waste Authority (ELWA) the statutory body responsible for the disposal of waste in the London boroughs of Barking and Dagenham, Havering Newham and Redbridge.

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the

Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Financing Requirement	2009/10 £000's	**2010/11 £000's**
Opening Capital Financing Requirement	68,715	**115,886**
Capital investment		
- Property, Plant and Equipment	84,108	**94,270**
- Investment Properties	-	**7,000**
- Intangible Assets	2,773	**384**
- Revenue Expenditure Funded from Capital under Statute	10,058	**4,536**
Sources of Finance		
Capital receipts	(2,153)	**(227)**
Government grants and other contributions	(31,250)	**(55,486)**
Sums set aside from revenue:	-	**-**
- Direct revenue contributions	(825)	**(298)**
- MRP/loans fund principal	(1,201)	**(3,937)**
Other	(14,339)	**(10,628)**
Closing Capital Financing Requirement	115,886	**151,500**
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	9,683	**8,327**
Increase in underlying need to borrowing (unsupported by government financial assistance)	37,488	**27,287**
Increase in Capital Financing Requirement	47,171	**35,614**

40. Leases

Council as Lessee

Finance Leases

The Robert Clack School has acquired IT equipment under a finance lease. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Assets acquired under a finance lease	31 March 2010 £000's	**31 March 2011 £000's**
Property, Plant and Equipment	-	**510**

The School is committed to making minimum payments under the lease comprising settlement of the long-term liability for the interest in the equipment and finance costs that will be payable by the School in future years. The minimum lease payments are made up of the following amounts:

Minimum Lease Payments	31 March 2010 £000's	**31 March 2011 £000's**
Finance Lease Liabilities (net present value of minimum lease payments)		
- Current	-	**101**
- Non-current	-	**272**
Finance Costs Payable in Future Years	-	**170**
Minimum Lease Payments	**-**	**543**

The minimum lease payments will be payable over the following periods:

Finance Lease Payment profile	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	31 March 2010 £000's	**31 March 2011 £000's**	31 March 2010 £000's	**31 March 2011 £000's**
Not later than one year	-	**181**	-	101
Later than one year and not later than five years	-	**362**	-	272
Later than five years	-	**-**	-	-

Operating Leases

The Council has acquired property and vehicles under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

Operating Lease Payment profile	31 March 2010 £000's	**31 March 2011 £000's**
Not later than one year	593	**488**
Later than one year and not later than five years	1,677	**1,433**
Later than five years	4,184	**3,940**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

Operating Lease costs	2009/10 £000's	**2010/11 £000's**
Operating Lease payments	4.428	**4,107**

There were no contingent rents or sublease payments.

Council as Lessor

Operating Leases

The Council leases out property under operating leases for investment purposes. These assets are classed as investment properties within the Balance Sheet. The future minimum lease payments receivable under non-cancellable leases in future years are:

Future Minimum Lease Payments Receivable	31 March 2010	**31 March 2011**

	£000's	£000's
Not later than one year	2,738	**2,639**
Later than one year and not later than five years	9,020	**8,955**
Later than five years	48,569	**49,180**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. In 2010/11 £117k contingent rents were receivable by the Authority (£109k in 2009/10), these related to rents that are based on the Lessee's turnover.

41. Private Finance Initiatives and Similar Contracts

PFI Schemes

On 30 March 2004, the Council contracted with Bouygues (UK) Ltd to provide secondary school and community facilities for the Jo Richardson Community School at Castle Green Park and refurbishment works and services at Eastbury Comprehensive School under a Private Finance Initiative (PFI). The schools opened in September 2005 and provide the necessary suitable places to cater for steadily increasing pupil numbers in the borough.

Changes in the arrangements during the year (Property Plant and Equipment)
The assets used to provide services at the schools are recognised on the Council's Balance Sheet and movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments
The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

PFI Payments	**Payment for Services**	**Reimbursement of Capital Expenditure**	**Interest**	**Total**
	£000's	£000's	£000's	**£000's**
Payable in 2010/11	1,458	459	3,856	**5,773**
Payable within two to five years	6,208	2,365	15,187	**23,760**
Payable within six to ten years	8,673	4,621	18,026	**31,320**
Payable within eleven to fifteen years	9,813	7,561	15,969	**33,343**
Payable within sixteen to twenty years	9,550	11,386	9,819	**30,755**
Total	**35,702**	**26,392**	**62,857**	**124,951**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Contractor Liability	2009/10 £000's	2010/11 £000's
Balance outstanding at start of year	26,055	25,678
Payments during the year	(377)	(417)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**25,678**	**25,261**

42. Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2010/11, the Authority has recognised an impairment loss of £370.4m in relation to its land and buildings. The majority of this impairment was incurred due to a 40% decrease in the value of the authorities' council dwellings caused by a drop in house prices and a change in the adjustment factor for valuing council dwellings.

In order to bring the stock valuation guidance in line with International Financial Reporting Standards (IFRS), the Department for Communities and Local Government modified the adjustment factor for Council dwellings valuations in London, from 37% to 25%, thereby causing a significant drop in the value of council properties within this region.

43. Termination Benefits

As a result of the reorganisation of its service delivery, a number of employees were made redundant by the Council during 2010/11, incurring liabilities of £6.5m (2009/10 £4.3m). Of this total, £152k is payable to the Divisional Director of Housing Services, in the form of compensation for loss of office and £110k is payable to the Programme Director for Total Commissioning, as disclosed in Note 34. The remaining £6.2m was payable to 281 officers across the Council who were made redundant, in part through the Council's Voluntary Severance Scheme and its overall service transformation programme.

44. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £10.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10

were £10.3m and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 45.

45. Defined Benefit Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered by the Council: this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post retirement benefits upon early retirement: this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2009/10 £000's	**2010/11 £000's**	2009/10 £000's	**2010/11 £000's**
Cost Of Services				
• Current Service Cost	10,257	17,128		
• Past Service Costs	728	(73,079)		
• Settlements and Curtailments	1,139	(4,678)		
Financing and Investment Income and Expenditure				
• Interest Cost	33,655	39,499		
• Expected Return on scheme assets	(19,702)	(28,448)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	26,077	(49,578)		
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
• Actuarial (gains)/losses	181,840	(99,159)		
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	207,917	(148,737)		
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(26,077)	49,579		
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to the scheme	(20,138)	(17,003)		
• Retirement benefits payable to pensioners			(1,666)	(1,707)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £173.6m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	**Local Government Pension Scheme**	
	2009/10 £000's	**2010/11** **£000's**
Opening Balance at 1 April	488,680	**785,487**
Current Service Cost	10,257	**17,128**
Interest Cost	33,655	**39,499**
Contributions by scheme participants	6,836	**6,040**
Actuarial Gains and Losses	265,033	**(104,246)**
Benefits Paid	(19,175)	**(24,357)**
Discretionary Benefits Paid	(1,666)	**(1,707)**
Past service costs	728	**(73,079)**
Curtailments	1,139	**309**
Settlements	-	**(21,584)**
Closing Balance at 31 March	785,487	**623,490**

Reconciliation of fair value of the scheme (plan) assets:	**Local Government Pension Scheme**	
	2009/10 £000's	**2010/11** **£000's**
Opening Balance at 1 April	313,987	**424,681**
Expected rate of return	19,702	**28,448**
Actuarial gains and losses	83,193	**(5,087)**
Employer contributions	20,138	**17,003**
Contributions by scheme participants	6,836	**6,040**
Benefits paid	(19,175)	**(24,357)**
Settlements	-	**(16,597)**
Closing Balance at 31 March	424,681	**430,131**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £26.2m (2009/10; £103.0m).

Scheme History	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	**2010/11 £000's**
Present Value of liabilities:					
Local Government Pension Scheme	(509,920)	(495,110)	(488,680)	(785,487)	**(623,490)**
Discretionary Benefits	-	-	-	-	**-**
	(509,920)	(495,110)	(488,680)	(785,487)	**(623,490)**
Fair value of assets in the Local Government Pension Scheme	385,420	391,281	313,987	424,681	**430,131**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(124,500)	(103,829)	(174,693)	(360,806)	**(193,359)**
Discretionary Benefits	-	-	-	-	**-**
Total	(124,500)	(103,829)	(174,693)	(360,806)	**(193,359)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £623.5m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £193.4m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £15.7m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of Actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the Actuary have been:

Actuarial Assumptions	Local Government Pension Scheme	
	2009/10	**2010/11**
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.8%	**7.5%**
Bonds	5.0%	**4.9%**
Property	5.8%	**5.5%**
Cash	4.8%	**4.6%**

Mortality Assumptions:

Longevity at 65 for current pensioners:		
• Men	20.8 yrs	**21.2 yrs**
• Women	24.1 yrs	**23.1 yrs**
Longevity at 65 for future pensioners		
• Men	22.8 yrs	**22.7 yrs**
• Women	26.2 yrs	**25.0 yrs**
Rate of inflation	3.8%	**3.6%**
Rate of increase in salaries*	5.3%	**5.1%**
Rate of increase in pensions	3.8%	**2.8%**
Rate of discounting scheme liabilities	5.5%	**5.5%**
Take-up option to convert annual pension into retirement lump sum	30.0%	**50.0%**

* Salary increases are 1% p.a. nominal for the year 31 March 2011 and the year 31 March 2012 reverting to 5.1% thereafter

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Proportion of investment assets held	31 March 2010 %	31 March 2011 %
Equity Instruments	61.0	64.0
Debt Instruments	25.0	25.0
Property	7.0	7.0
Cash	7.0	4.0
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	**2010/11 %**
Experience gains (losses) on Plan Assets	(1.60)	(5.87)	(35.26)	19.59	**(1.18)**
Experience gains (losses) on Plan Liabilities	0.14	(6.12)	0.01	(0.12)	**7.88**

46. Contingent Liabilities

At 31 March 2011, the Council had no material contingent liabilities:

47. Contingent Assets

At 31 March 2011, the Council had provisionally agreed a settlement in respect of the Fleming Case (VAT) amounting to £300k which is expected to be received in 2011/12.

48. Nature and Extent of Risks Arising for Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk:** the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk:** the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing and Maturity risk:** the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk:** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing;
    Its maximum and minimum exposures to fixed and variable rates;
    Its maximum and minimum exposures to the maturity structure of its debt;
    Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 16 February 2010, in respect of 2010/11, and is available on the Council website. The key issues within the strategy were:

- To set the Authorised Limit for 2010/11 at £200m. This is the maximum limit of external borrowings or other long term liabilities;
- To approve the Operational Boundary, calculated for 2010/11 at £115m; this is the expected level of debt and other long term liabilities during the year;
- To set the maximum amount of fixed rate exposure at 100% of the Council's net debt; variable interest exposure was deemed to be not relevant;
- To limit maximum exposure to the maturity structure of debt to 10% of the portfolio maturing in any one year. The policy notes that this is currently not achievable as the Council has fewer than ten loans of equal size. Borrowing maturities are provided in the Refinancing and Maturity Risk section of this note.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices (TMP) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.
This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch's and Moody's credit ratings and Credit Default Swap (**CDS**) data which it receives from its advisers Sector Treasury Services as a basis for assessing credit risk as well as other market information. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria and full details of the Investment Strategy can be found on the Council's website.

The Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. Sector does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2010/11 was approved by Council on 16 February 2010 in respect of 2010/11 and is available on the Council's website:
(http://moderngov.barking-agenham.gov.uk/ieListDocuments.aspx)

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £93.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

In the past five years the Council has not experienced any exposure to credit risk, based on the levels of default assessed by the ratings agencies and its advisors. The Council does not allow credit for its trade debtors further reducing its exposure to credit risk and has not experienced any defaults in the last five years on its investments.

The carrying value of the exposure by financial instrument is summarised below:

Credit Risk Exposure	Rating Critera	Amount Invested at 31 March 2011 £000's
Deposits with Banks	"AA" rated	38,684

	“A” rated	41,414
Deposits with Building Societies	“AA” rated	2,500
Deposits with Money Market Funds	“AAA” rated	10,904
Total Investments		**93,502**

No breaches of the council’s counterparty criteria occurred during the reporting period and the Council does not expect any losses from the non-performance by any of its counterparties in relation to deposits.

During the year the council did not give or receive any collateral as security for a financial instrument.

The Council generally requires trade debtors to be settled within 30 days; the aged debtor analysis of unpaid invoices issued through the accounts receivable system is as follows:

Aged Debtor Analysis	31 March 2010 £000’s	**31 March 2010 £000’s**
Less than three months	1,965	**2,214**
Three to six months	303	**223**
Six months to one year	356	**216**
More than one year	168	**589**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

	31 March 2010 £000’s	**31 March 2011 £000’s**
Deposits at call (no maturity)	61,992	**58,050**
Less than one year	39,127	**35,656**
Between one and two years	15,174	**156**
Between two and five years	376	**318**
More than five years	-	**299**
Total Financial Assets (excluding trade debtors)	116,669	**94,479**

All trade debtors (£9.1m) are deemed due to be paid in less than one year and are not included in the above.

Refinancing and Maturity Risk
The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits	Approved maximum limits *	Actual 2009/10 £000s	**Actual 2010/11 £000s**
Less Than One Year	-	7,000	4,959	**1,459**
Between 1 and 2 years	-	7,000	-	**10,000**
Between 2 and 5 years	-	21,000	30,000	**20,000**
Between 5 and 10 years	-	35,000	-	**-**
More than 10 years	-	130,000	40,000	**40,000**
Total	-	200,000	74,959	**71,459**

*Note the maximum limit is based on the 10% of total borrowings as detailed in the Council's Investment Policy and an operational limit of £200m total borrowings.

Market Risk
Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable

and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2011 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Sensitivity Analysis of 1% change in rates	**£000's**
Increase in interest payable on variable rate borrowings	200
Increase in interest receivable on variable rate investments	(429)
Impact on Surplus or Deficit on the Provision of Services	**(229)**
Share of overall impact debited to the HRA	218
Decrease in fair value of fixed rate investment assets	143
Impact on Other Comprehensive Income and Expenditure	**143**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**8,865**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk
Excluding the Pension Fund, the Council does not generally hold equity shares or marketable bonds as investments and is therefore not exposed to risk arising from share price movements.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Housing Revenue Account

for the year ended

31 March 2011

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities Charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 £000's		**2010/11 £000's**
	Income	
(71,433)	Dwelling Rent	(73,118)
(2,446)	Non Dwelling Rents	(2,367)
(8,958)	Service Charges	(8,903)
(1,970)	Other Income	(2,601)
(5,067)	Contributions towards Expenditure	(3,142)
(89,874)	**Total Income**	**(90,131)**
	Expenditure	
25,157	Repairs & Maintenance	22,874
28,452	Supervision & Management	31,662
611	Rent, Rates, Taxes & Other Charges	990
18,111	Negative HRA Subsidy Payable	18,048
31	Negative HRA Subsidy Transferable to General Fund Under Transitional Arrangements	0
13,127	Depreciation of Fixed Assets	13,902
500	Debt Management Costs	1,173
620	Increase in Bad Debt Provision	658
86,609	**Total Expenditure**	**89,307**
(3,265)	**Net Cost Of HRA Services Per Authority Comprehensive Income & Expenditure Account**	**(824)**
811	HRA Services Share Of Corporate & Democratic Core	811
(2,454)	**Net Cost of HRA Services**	**(13)**
(1,595)	(Gain)/Loss on sale of HRA assets	(3,346)
537	Pensions interest cost and expected return on Pension Assets	385
(928)	Interest & Investment Income	(485)
(4,440)	**(Surplus) / Deficit For The Year of HRA Service**	**(3,459)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Statement of Movement on the HRA Balance

2009/10 £000's		**2010/11 £000's**
(4,440)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account	**(3,459)**
	Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance:	
	Items included in the HRA Income & Expenditure Account but excluded from the movement on the HRA Balance for the year;	
1,595	Reversal of gain on sale of HRA assets	3,346
-	Accumulated absences account	(122)
(1,580)	Net charges made for retirement benefits in accordance with IAS 19 (Note 11)	(1,368)
15		**1,856**
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year;	
850	Transfer to Major Repairs Reserve (Note 5)	(421)
(892)	Transfer from insurance Reserve	-
(215)	Transfer from Rental Income reserve	(644)
(3)	Transfer from Leasehold Repairs Reserve	-
2,047	Employer's pension contributions	976
1,787	(Increase)/decrease in the Housing Revenue Account Balance	**(89)**
(2,638)	**Housing Revenue Account Surplus C/F**	**(1,692)**
(118)	Housing Revenue Account Surplus b/fwd	**(2,756)**
(2,756)	**Total HRA Balances**	**(4,448)**

2. Council Housing Stock

31 March 2010 Total £000's		Houses £000's	Flats £000's	**31 March 2011 Total £000's**
4,880	One Bedroom	251	4610	**4,861**
8,074	Two Bedroom	5089	2957	**8,046**
6,071	Three Bedroom	4219	1830	**6,049**
177	More than Three Bedrooms	156	21	**177**
19,202		9,715	9,418	**19,133**

During the year 69 properties were sold under the Right to Buy legislation.

3. Rent Arrears

	31 March 2010 £000's	**31 March 2011 £000's**
Current Tenants	2,918	**3,078**
Past Tenants	2,104	**1,906**
Total Housing Tenants	5,022	**4,984**
Leasehold services	-	**887**
Commercial Rents	450	**941**
Total Rent Arrears	5,472	**6,812**
Provision for Bad Debts	3,064	**3,022**

These arrears are net of prepayments and exclude rates collected on behalf of Essex & Suffolk Water.

4. Asset Valuations

The balance sheet value of the HRA's non-current assets is as follows:

	31 March 2010 £000's	**31 March 2011 £000's**
Property, Plant & Equipment		
- Council Dwellings	1,006,286	**651,884**
- Other land & buildings	6,866	**9,536**
Investment Property	20,565	**20,565**
Total non-current assets	1,033,717	**681,985**

The vacant possession value of dwellings as at 31 March 2011 was £2.55 billion (31 March 2010, £2.73 billion).

As set out in the statement of Accounting Policies, council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that local authority housing is let at sub-market rents and is arrived at after applying a regional adjustment factor of 25% in accordance with Government guidelines. The difference between the two values is a measure of the economic cost to the Government of providing council housing at less than open market rents.

5. Major Repairs Reserve

	2009/10 £000's	**2010/11 £000's**
Opening Balance 1st April	-	**-**
Capital Expenditure financed from MRR	(14,339)	**(10,628)**
Depreciation	13,489	**14,390**
Contribution towards Depreciation Charge	850	**(909)**
Closing Balance 31 March	**-**	**2,853**

6. Housing Subsidy

The negative subsidy payable to the Government from the HRA can be broken down as follows:

	2009/10 £000's	**2010/11 £000's**
Notional Management & Maintenance	(39,620)	**(40,206)**
Major Repairs Allowance	(13,489)	**(13,969)**
	(53,109)	**(54,175)**
Notional Rent	71,763	**73,203**
Caps and Limits Adjustment	(972)	**(1,121)**
Interest on Credit Ceiling	429	**141**
	71,220	**72,223**
Subsidy Payable	18,111	**18,048**

7. Capital Receipts Generated

	2009/10 £000's	**2010/11 £000's**
Right to Buy receipts	4,554	**5,739**
Mortgage principal repayments	202	**145**
Expenditure incurred during year	(3,256)	**(4,163)**
Total capital receipts	1,500	**1,721**

In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, any housing capital receipts in excess of £10k are subject to Government pooling. For sales of 'right to buy' dwellings, 75% of the receipt is pooled and for sales of other HRA assets (e.g. land) 50% is pooled, unless used to fund expenditure on affordable housing or regeneration.

The proper accounting practice requires the amount paid to the pool to be disclosed as expenditure in the Income and Expenditure Account, although the capital receipts will not

have been recognised as income terms with the Income and Expenditure Account. The deficit is made good by an equivalent transfer from Usable Capital Receipts.

During 2010/11, the contribution to the pool totalled £4.2m (2009/10, £3.3m). This information is also shown at Note 9 to the Core Financial Statements.

8. Summary of HRA Capital Expenditure

	2009/10 £000's	**2010/11 £'000's**
Expenditure		
Housing Futures	30,208	**14,741**
New Council House Builds	-	**8,945**
Disabled Adaptations	2,161	**-**
Total Capital Expenditure	32,369	**23,686**
Financed By		
Usable Capital Receipts	14,840	**-**
Major Repairs Reserve	17,529	**10,628**
Borrowing	-	**5,725**
Other Contributions	-	**7,333**
Total Capital Financing	32,369	**23,686**

9. Depreciation and Amortisation

	2009/10 £000's	**2010/11 £000's**
Council Dwellings	13,489	**13,904**
Other Land & Buildings	102	**486**
Intangible Assets	386	**-**
Total	13,977	**14,390**

10. Impairment

The council commissioned an impairment review from its valuers Wilks Head and Eve. The conclusion of the valuers was that for all council dwellings the average decrease in value amounted to 37%, or £354m as at the valuation date of 1 April 2010. £114.5m of this impairment was offset by the revaluation reserve with the remainder, £239.5m, being allocated to the I&E.

11. Pension Contributions

The HRA has been compiled in accordance with IAS 19, the total costs with an apportionment of the authority's overall costs being charged to the HRA. However, the cost to the HRA is based on the cash payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA in the Statement of Movement on the Housing Revenue Account Balance in order that there is no impact on either the surplus for the year or subsequent rent levels. Further details of Pension costs are shown in note 45 to the accounts.

The Collection Fund

for the year ended

31 March 2011

Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2009/10 £000's		Note	**2010/11 £000's**
	Income		
(50,385)	Net Income receivable from Council Tax		(51,186)
	Transfers from General Fund:		
(19,611)	Council Tax Benefits		(20,104)
(130)	Discretionary Relief		(168)
	Income Collectable from Business Rate Payers:		
(49,126)	Standard Business Rates		(48,043)
-	Crossrail Supplement		(1,897)
(539)	Contribution to Previous Year Deficit	3	(640)
(119,791)	**Total Income**		**(122,038)**
	Expenditure		
68,337	Precepts	2	68,473
	Business Rate:		
48,023	Payment to National Pool	4	47,602
-	Payment to fund Crossrail	4	1,866
277	Costs of Collection		350
	Bad & Doubtful Debts:		
1,353	Write Offs		1,048
1,738	Provisions		1,709
119,728	**Total Expenditure**		**121,048**
(63)	**(Surplus) / Deficit for the year**		**(990)**
742	Balance at 1 April 2010		679
679	**Balance at 31 March 2011**		**(311)**
	(Surplus)/Deficit Balance attributable to:		
521	London Borough of Barking and Dagenham		**(238)**
158	Greater London Authority		**(73)**

1. Council Tax

The Council levied a Council Tax of £1,326.22 for a Band 'D' property in 2010/11 (2009/10; £1,326.22) comprising:

	2009/10 £	**2010/11 £**
London Borough of Barking and Dagenham	1,016.40	**1,016.40**
Greater London Authority	309.82	**309.82**
Total Band 'D' Council Tax	1,326.22	**1,326.22**

The tax base used to determine this figure was Band 'D' equivalent properties calculated as follows:

Band	Number of Properties after Discounts and Exemptions	Band 'D' Equivalent Properties
A (Disabled)	4.5	2.5
A	5,625.8	3,750.5
B	8,755.6	6,809.9
C	37,415.0	33,257.8
D	7,363.8	7,363.8
E	1,505.3	1,839.9
F	311.8	450.4
G	39.8	66.3
H	6.7	13.4

Total Band 'D' equivalents as at 01/12/2009	**53,554.5**
Add estimated new properties	284.8
Less estimated demolitions	(76.4)
Less changes to discounts and exemptions	(535.5)
Estimated Band 'D' equivalents for 2010/11	**53,227.4**
Less 3% non-collection rate	(1,596.9)
Council Tax Base for 2010/11	**51,630.5**
Council Tax Base for 2009/10	51,527.5

2. Precepting Authorities

The precepts levied on the Collection Fund were as follows:

	2009/10 £000's	**2010/11 £000's**
London Borough of Barking and Dagenham	52,373	**52,477**
Greater London Authority	15,964	**15,996**
	68,337	**68,473**

3. (Surplus) / Deficit Transferred

This figure represents the transfer of the estimated deficit on the Council Tax Collection Fund account as at 31 March 2011 to the London Borough of Barking and Dagenham's General Fund and to the Greater London Authority in 2010/11.

Any surplus or deficit on the Collection Fund is required to be taken into account in the Council's future budget setting process. The table below summarises this position:

Impact on Council Tax setting	2009/10 £000's	**2010/11 £000's**
Provisions made in:		
2010/11 budget	(640)	
2011/12 budget		**264**
Additional provision to be made in:		
2011/12	(39)	
2012/13		**47**
Total Surplus/(Deficit) to be provided for in future budget setting process	(679)	**311**

4. National Non Domestic Rates (NNDR)

Under the arrangements for Uniform Business Rates, the Council collects rates in the Borough based on rateable values which are assessed by the District Valuer, multiplied by a uniform rate in the pound which is set each year by the Government.

The total proceeds, less certain relief's and allowances are paid into a central pool managed by the Government and these in turn are redistributed to local authorities as a standard amount per head of relevant population.

From 1 April 2010, those ratepayers with a Rateable Value in excess of £55k are subject to an additional levy from the Greater London Authority on their Business Rates to fund the Crossrail project.

National Non Domestic Rates	2009/10	**2010/11**
Rateable Value at 31 March	£115,795,374	**£146,762,406**
Small business non-domestic rating multiplier, for premises with rateable values below £25,500 (£21,500 in 2009/10)	48.1p	**40.7p**
Non-domestic rating multiplier, for premises with rateable values of £25,500 and above (£21,500 in 2009/10)	48.5p	**41.4p**
Additional Crossrail Business Rate Supplement multiplier, levied on premises with a rateable value above £55,000 (not levied before 2010/11)	N/A	**2.0p**

The total non-domestic rateable value at 31 March 2011 was £146.8m; the non-domestic rating multiplier for the year was 41.4p. The product of this is £60.8m. This represents potential income at the year end, and thus differs from bills issued during the year due to relief for empty properties, transitional relief, partial relief, small business rate reliefs.

London Borough of Barking & Dagenham

Pension Fund Accounts

for the year ended

31 March 2011

Fund Account

	Note	2009/10 £000's	**2010/11 £000's**
Dealings with members, employers and others directly involved in the scheme			
Contributions			
From members	3	8,832	**8,605**
From employers	3	26,128	**24,122**
		34,960	**32,727**
Transfers in		7,773	**3,533**
Total contributions		42,733	**36,260**
Benefits Paid			
Pensions	4	(20,844)	**(21,765)**
Lump sum benefits	4	(6,593)	**(5,099)**
		27,437	**26,864**
Payments to and on acount of leavers			
Refunds of contributions		(6)	**-**
Individual transfers out to other schemes	4	(5,353)	**(6,970)**
Total payments		(32,796)	**(33,834)**
Administrative expenses	14	(573)	**(672)**
Net additions for dealings with members		9,364	**1,754**

Returns from Investments

	Note	2009/10 £000's	**2010/11 £000's**
Investment Income	11	13,045	**13,718**
Change in market value of investments			
Realised		22,463	**23,640**
Unrealised		93,543	**(1,356)**
Investment management expenses	15	(2,215)	**(2,438)**
Net returns on investments		126,836	**33,564**
Net increase in the Fund during the year		9,364	**1,754**
Opening net assets of the scheme		413,086	**549,286**
Closing net assets of the scheme		549,286	**584,604**

Net Assets Statement as at 31 March

	Note	2009/10 £000's	**2010/11 £000's**
Investment Assets			
Fixed interest securities			
UK public sector		76,101	**84,923**
Overseas		200	**-**
Equities			
UK equities		115,358	**134,593**
Overseas equities		218,864	**201,215**
Pooled investment vehicles			
Property		36,624	**91,007**
Other		65,034	**48,290**
Other investment balances	5	8,453	**3,418**
Cash	6	9,064	**9,274**
Total Investment Assets		529,698	**572,720**
Investment Liabilities	5	(8,369)	**(2,317)**
Current Assets			
Debtors	5	28,513	**15,633**
Current Liabilities	5	(556)	**(1,432)**
Total Net Assets		549,286	**584,604**

Notes to the Pension Fund Accounts

1. Format of the Pension Fund Statement of Accounts

The Council is the administering authority for the London Borough of Barking and Dagenham Pension Fund and has exclusive responsibility for it. The Council delegates responsibility for the administration of the pension fund to **State Street** a third party company which is responsible considering all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and other statutes relating to investment issues.

The day to day administration of the Fund and the operation of the management arrangements and investment portfolio is delegated to the Corporate Director of Finance and Resources.

The Fund is operated as a funded, defined benefit scheme which provides for the payment of benefits to former employees of the London Borough of Barking and Dagenham (**LBBD**) and those bodies admitted to the Fund, referred to as “members”. The benefits include not only retirement pensions, but also widow’s pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, employers and from interest and dividends on the fund’s investments.

The objective of the Pension Fund’s financial statements is to provide information about the financial position, performance and financial adaptability of the Fund and show the results of the Council’s stewardship in managing the resources entrusted to it and for the assets at the period end.

2. Accounting Policies

2.1 **The Accounts** summarise the transactions and net assets for the Pension Fund and comply in all material respects with Chapter 2 (“Recommended Accounting Practice”) of the Statement of Recommended Practice (Financial Reporting of Pension Schemes) 2007.

2.2 The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31st March 2011; such items are reported separately in the Actuary’s Report provided in note 13 to the Pension Fund accounts.

2.3 **Basis of Preparation**; The accounts have been prepared on an accruals basis (that is income and expenditure are recognised as earned or incurred, not as received and paid) except in the case of Transfer Values which are included in the accounts on a cash basis.

2.4 **Investments** are shown in the Net Assets Statement at market value on the following bases:

2.4.1 Quoted investments are valued at bid price at the close of business on 31 March 2011.
2.4.2 Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines.
2.4.3 Pooled Investment Vehicles are valued at the closing bid price where both bid and mid prices are quoted.

2.4.4 Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2010. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange.

2.5 Management Expenses in respect of Fund Managers fees are set on a percentage of the value of funds under their management together with any fixed element.

2.6 Taxation

2.6.1 The Fund is an exempt approved fund and therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax;
2.6.2 Value Added Tax is recoverable on all fund activities by the administering authority;
2.6.3 Taxation agreements exist between Britain and other countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. Non-recoverable deductions are classified as withholding tax.

3. Contributions

Contributions represent the total amounts receivable from the employing authority (LBBD) in respect of its own contributions and those of its pensionable employees. Employees pay contributions based on the level of pay they receive, with contribution rates set between 5.5% and 7.5% dependent on pensionable pay. The employer's contributions are made at a rate determined by the Fund's Actuary and are set at a rate necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities.

The primary contribution rate used during the financial year ending 31 March 2011 was 19%. Contributions shown in the revenue statement may be categorised as follows:

Contributions	2009/10 £000's	**2010/11** **£000's**
Members normal contributions		
Council	6,728	**6,142**
Admitted bodies	300	**431**
Scheduled bodies	1,687	**1,851**
Additional retirement costs	117	**181**
Total contributions from members	8,832	**8,605**
Employers normal contributions		
Council	17,918	**17,501**
Admitted bodies	829	**1,138**
Scheduled bodies	5,016	**5,159**
Additional retirement costs	2,365	**86**
Capitalised redundancy costs	0	**238**
Total contributions from employers	26,128	**24,112**
Total Contributions	34,960	**32,727**

Additional Voluntary Contributions (AVCs) administered by the Prudential, made by London Borough of Barking & Dagenham employees during the year amounted to £1,198k (2009/10 £351k).
AVCs are not included in the pension fund accounts in accordance with regulation 5(2) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).
AVCs were valued by Prudential at a market value of £5.0m (2009/10 £4.6m). The above figure includes employees of London Borough of Barking and Dagenham, Scheduled and Admitted Bodies.

4. Benefits, Refunds of Contributions and Transfer Values

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year. Transfers out/in are those sums paid to, or received from, other pension schemes and related to the period of previous pensionable employment:

Benefits, Refunds of Contributions and Transfer Values

	2009/10				**2010/11**			
	Council £000's	Admitted Bodies £000's	Scheduled Bodies £000's	Total £000's	**Council £000's**	**Admitted Bodies £000's**	**Scheduled Bodies £000's**	**Total £000's**
Pensions	17,661	498	2,685	20,844	**18,584**	**803**	**2,378**	**21,765**
Lump sums	5,487	537	72	6,096	**3,667**	**611**	**558**	**4,836**
Transfers	-	-	-	-	**6,206**	**70**	**694**	**6,970**
Death Grants	421	5	71	497	**262**	**0**	**0**	**262**
	23,569	1,040	2,828	27,437	**28,719**	**1,484**	**3,630**	**33,833**

5. Debtors and Creditors

The following amounts were debtors or creditors for the Pension fund at 31 March 2011:

Debtors	2009/10 £000's	**2010/11 £000's**
Other investment Balances		
Investment sales	6,617	**1,053**
Dividends receivable	1,834	**1,994**
Stock lending	2	**2**
Tax recoverable	-	**369**
	8,453	**3,418**
Current Assets		
Pension contributions due	137	**285**
London Borough of Barking and Dagenham	28,376	**15,348**
	28,513	**15,633**
Total Debtors	36,966	**19,051**

Included in Debtors is an amount due from LBBD which reflects cash held and invested by the Council on behalf of the Pension fund. On 1 April 2011 this amount was transferred into a designated account in the name of the Scheme.

Creditors	2009/10 £000's	**2010/11** **£000's**
Other investment balances		
Investment purchases	8,369	**2,317**
Current Liabilities		
Unpaid benefits	21	**278**
Administrative expenses	535	**1,154**
Total Current Liabilities	556	**1,432**
Total Creditors	8,925	**3,749**
Net Debtors	28,041	**15,302**

6. Cash

The cash balance held at 31 March 2011 is made up as follows:

Cash balances held by Investment Managers	2009/10 £000's	**2010/11** **£000's**
Aberdeen Asset Management	934	**1,322**
Alliance Berstein	3,343	**2,935**
Goldman Sachs	1,257	**1,030**
RREEF	3,530	**3,818**
Prudential / M&G	-	**26**
Schroders	-	**143**
Total Cash	9,064	**9,274**

7. Taxation

The Fund is an exempt approved fund and therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax;

Value Added Tax is recoverable on all fund activities by the administering authority;

Taxation agreements exist between Britain and other countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. The proportion reclaimable and the timescale involved varies from country to country.

8. Membership of the Fund

The following table sets out the membership of the Pension fund at 31 March 2011:

Membership	2009/10 members	**2010/11 members**
London Borough of Barking and Dagenham		
Active members	4,452	**3,986**
Pensioners	3,709	**3,863**
Deferred pensioners	2,872	**3,211**
Undecided and other members	323	**273**
	11,356	**11,333**
Admitted and Scheduled Bodies		
Active members	1,043	**1,275**
Pensioners	748	**783**
Deferred pensioners	797	**844**
Undecided and other members	104	**90**
	2,692	**2,992**

The following bodies have been admitted into the Fund

Admitted Bodies

Age UK (previously known as Age Concern)
Abbeyfield Barking Society
Barking and Dagenham Citizen's Advice Bureau
Council for Voluntary Service
Disablement Association of Barking and Dagenham
East London E-Learning
Elevate
Enterprise (Thames Accord)
London Pensions Fund Authority
London Riverside

Scheduled bodies

University of East London
Magistrates Court
Barking College

9. Statement of Investment Principles

A Statement of Investment Principles has been agreed by the Council's Investment panel and is updated periodically to reflect changes made in Investment Management arrangements. The nature and extent of risk arising from financial instruments and how the pension fund manages those risks is included in the Statement of Investment Principles. Copies can be obtained from the Council's website www.lbbd.gov.uk.

10. Investments

The fund employs a number of specialist investment managers with mandates corresponding to the principle asset classes:

Fund Manager	Investment Area
Aberdeen Asset Management	Bonds
Alliance Berstein	Global and UK Equities
Goldman Sachs	Overseas Equities
RREEF	Property Investments (UK)
Prudential/M&G	Property Investments (UK Fund of Funds)
Schroders	Alternatives - UK Companies Financing Fund

The value of the Fund, by manager, as at 31 March 2011 was as follows:

Fund by Manager	2009/10 £000's	2009/10 %	**2010/11 £000's**	**2010/11 %**
Aberdeen Asset Management	140,767	27.0%	**148,315**	**26.1%**
Alliance Berstein	162,816	31.2%	**171,664**	**30.1%**
Goldman Sachs	177,508	34.1%	**193,356**	**34.0%**
RREEF	40,154	7.7%	**42,005**	**7.4%**
Prudential/M&G	-	-	**4,039**	**0.7%**
Schroders	-	-	**9,923**	**1.7%**
	521,245	100%	**569,302**	**100%**

The movement in the opening and closing value of investments during the year, together with related direct transaction costs were as follows:

	Market Value 01/04/2010 £000's	Purchases £000's	Sales £000's	Change in Market Value £000's	**Market Value 31/03/2011** £000's
UK Investment Assets					
Quoted	207,519	111,800	(105,372)	7,158	**221,105**
Unquoted	83,632	17,161	(7,443)	3,955	**97,305**
	291,150	128,961	(112,815)	11,113	**318,410**
Overseas Investment Assets					
Quoted	185,346	205,118	(198,504)	9,255	**201,215**
Unquoted	44,748	3,543	(530)	1,916	**49,677**
	230,095	208,661	(199,034)	11,171	**250,892**
Total Investments	521,245	337,622	(311,849)	22,284	**569,302**

11. Investment Income

	2009/10 £000's	**2010/11 £000's**
Fixed Interest Income	3,132	**2,691**
Dividends	8,131	**8,957**
Property Income	1,259	**1,762**
Interest - Manager's Cash Balances	17	**3**
Interest - LBBD balance	589	**318**
Currency Gain/(Loss)	(105)	**(293)**
Stock Lending	19	**62**
Commission Recapture	3	**218**
	13,045	**13,718**

12. Securities

The value of listed and unlisted securities is broken down as follows:

	2009/10 £000's	**2010/11 £000's**
Unlisted	119,375	**188,622**
Listed	410,323	**384,098**
Total Investments	529,698	**572,720**
Working Capital	19,588	**11,884**
Total Net Assets	549,286	**584,604**

13. Actuarial Position

Actuarial assumptions

The triennial review of the Fund took place as at 31 March 2010 and the salient features of that review were as follows:

- The funding target remains unchanged to achieve a funding level of at least 100% over a specific period
- The key financial assumptions adopted at this valuation are:
- Future levels of price inflation are based on the Consumer Price Index (CPI); previously Retail Price Inflation.
- Future levels of real pay increases - assumed to be 2.0% p.a. in excess of price inflation - based on CPI;
- Funding basis discount rate - is based on an Asset Outperformance target of 1.6% p.a. above the yield on fixed interest (nominal) and index-linked (real) Government bonds;

- The market value of the pension scheme's assets, at the date of the valuation, were £549million.
- The use of an appropriate Asset Outperformance Assumption is based on available evidence and is a measure of the degree of prudence assumed in the funding strategy.

The valuation has made assumptions about member longevity and has used the following average future life expectancies for pensioners aged 65 at the valuation date

Longevity Assumptions	2007	2007	**2010**	**2010**
at 31 March	Males	Females	**Males**	**Females**
Average future life expectancy (in years for a pensioner)	20.7	23.6	**19.1**	**20.9**
Average future life expectancy (in years) at age 65 for a non-pensioner assumed to be aged 45 at the valuation date	20.7	23.6	**21.2**	**23.1**

The key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2010 valuation are set out below:

		Rate at 31 March 2010	
Financial Assumptions	**Derivation**	**Nominal**	**Real**
Price Inflation (CPI)	Market expectation of long term future inflation as measured by the difference between yeilds of fixed and index-linked Government bonds at the valuation date, less 0.5% per annum	3.30%	-
Pay Increases	Assumed to be 1.5% in excess of price inflation	5.30%	2.00%
Gilt-based discount rate	The yeild on fixed interest (nominal) and index-linked (real) governemnt	4.50%	1.20%
Funding basis discount rate	Assumed to be 1.6% above the yeild on fixed interest Government bonds	6.10%	2.80%

Funding Level

The table below shows the detail funding level for the 2010 valuation:

Employer Contribution Rates	as at 31 March	
	2007	**2010**
Net Employer Future Service Cost	14.2%	**16.1%**
Past Service Adjustment – 20 year spread	4.5%	**8.3%**
Total Contribution Rate	18.7%	**24.4%**

Funding Position

The table below shows the funding position for the 2010 valuation and illustrates how the funding objective has been met in the form of a funding level:

Past Service Funding Position at 31 March	2007 £m	**2010 £m**
Past Service Liabilities		
Employees	(285)	**(298)**
Deferred Pensioners	(239)	**(117)**
Pensioners	(81)	**(314)**
	(605)	**(729)**
Market Value of Assets	530	**549**
Funding Deficit	(75)	**(180)**
Funding Level	87.6%	**75.3%**

Funding Assumptions

The table below shows the assumptions used by the actuary to arrive at the 2010 actuarial funding position:

Funding Assumptions	As at 31 March 2007 Funding Basis (% p.a.)	**2010 Funding Basis (% p.a.)**	**2010 Gilts Basis (% p.a.)**
Discount Rate	6.1%	**6.1%**	**4.5%**
Price Inflation	3.2%	**3.3%**	**3.3%**
Pay Increases	4.7%	**5.3%**	**5.3%**
Pension Increases			
- Pension in excess of GMP	3.2%	**3.3%**	**3.3%**
- Post 1988 GMP	2.8%	**2.8%**	**2.8%**
- Pre 1988 GMP	0.0%	**0.0%**	**0.0%**
Revaluation of deferred pensions	3.2%	**3.3%**	**3.3%**
Expenses	0.5%	**0.5%**	**0.5%**

Total Contribution Rate

The Common Rate of Contribution payable by each employer from 1 April 2014 is 24.4% of pensionable pay. The table below shows the Minimum Total Contribution Rates, expressed as a percentage of pensionable pay, which apply to the 2011/12 accounting period:

London Borough of Barking and Dagenham	19.5%
University of East London	20.2%
Barking College	18.2%
Disablement Association of Barking and Dagenham	22.9%
Barking and Dagenham Citizen's Advice Bureau	17.2%
Enterprise	21.1%
E-Learning Cross River	14.5%

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

14. Administrative Expenses

	2009/10 £000's	**2010/11 £000's**
Administration and Processing	387	**447**
Audit Fee	35	**35**
Actuarial Fees	56	**86**
Legal and Other Professional Fees	95	**104**
	573	**672**

15. Investment Management Expenses

	2009/10 £000's	**2010/11 £000's**
Aberdeen Asset Management	234	**295**
Alliance Berstein Asset Management	796	**863**
Goldman Sachs Asset Management	678	**789**
RREEF	262	**290**
State Street (Custodian)	245	**193**
Prudential M&G	-	**8**
	2,215	**2,438**

16. Related Parties

The Pension Fund is a related party of the Council. All of the above transactions which includes £15.3m (2009/10; £28.4m) cash investments managed by the Council on behalf of the Fund, and pension administration costs of £447k (2009/10; £387k) are related party transactions between the Council and Pension Fund.

17. Contingent Liabilities

There are no contingent liabilities at the Fund Statement date

18. Post Balance Sheet Events

There are no adjusting or non-adjusting events which have occurred after the Fund Statement date.

19. Nature and Extent of Risks Arising from Financial Instruments

The pension fund activities expose it to a variety of financial risks in respect of financial instruments:

- Credit risk - the risk that other parties may fail to pay amounts due;

- Liquidity risk – the risk that the pension fund may not have funds available to meets its commitments to make payment;
- Refinancing risk – the risk that the pension fund might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- Market risk – the possibility that financial loss might arise from the fund's as a result of changes in such measures as interest rates or stock market movements.

The procedures for risk management in relation to key financial instruments is set out through the legal framework detailed within the Local Government Act 2003 and other associated regulations. These require compliance to all CIPFA Treasury Management practices, CIPFA Prudential Code and Investment Guidance as applicable to the Council.

The Pension Fund holds some pension fund assets in cash which are held with the Council's investments in line with treasury management strategy and guidelines.

Glossary of Terms

Term	Definition
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years, by the actuary, on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates.
Balance Sheet	A statement showing the position of the Council's assets and liabilities as at 31 March in each year.
Beacon Properties	The Council's housing stock is grouped into similar types and a sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.
Budget	A forecast of the Council's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Expenditure	Expenditure on the acquisition or enhancement of assets that are considered to be of benefit to the authority over a period of more than one year, e.g. buildings and land. Other examples include payments of grants and financial assistance to third parties and expenditure that is classified as capital following a Ministerial direction e.g. capitalised redundancy costs.
Capital Adjustment Account	A capital reserve which reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. This is an accounting reserve which is not backed by cash and does not represent resources available to fund future capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the council's services. They include financial, legal, personnel, IT, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to residual community charge, council

tax and National Non Domestic Rates (NNDR).

Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Comprehensive Income and Expenditure Account	A statement which details the total income received and expenditure made by the Council in the year. It is reconciled back to the General Fund Balance through the Statement of Movement in Reserves.
Council Tax	Introduced in 1993 as a replacement for the community charge (Poll Tax). It is set by both the billing authority and precepting authority. The level is determined by the revenue expenditure requirement for each authority, divided by the council tax base for the year.
Council Tax Base	An amount calculated for each billing authority from which the grant entitlement of its area is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of band D equivalent properties in the area. The calculation allows for exemptions and discounts, appeals and a provision for non-collection.
Council Tax Requirement	The council tax requirement for the billing and local precepting authorities. This is the amount calculated under Section 97(1) of the Local Government Finance 1988 Act to be transferred from the Collection Fund to the General Fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the General Fund to the Collection Fund)
Creditors	Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet received by the end of that accounting period.
Deferred Liabilities	These are creditor balances repayable after one year.
Defined Benefit Scheme	A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay. There are no legal obligations to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	These are reserves set aside for a specific purpose or a

	particular service, or type of expenditure.
Finance Lease	A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.
General Fund	The account that summarises the cost of providing council services (excluding the Housing Revenue Account)
Government Grants	Assistance by the Government and their agencies in the form of cash or transfer of assets to an authority, which may be in return for the past or future compliance with certain conditions relating to the activities of the authority.
Gross Expenditure	The total cost of providing services before taking into account income, e.g. from Government grants or fees and charges.
Historic Cost	The actual cost of an asset in terms of past consideration as opposed to its current value.
Housing Revenue Account	A statutory ring-fenced account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.
Housing Subsidy	This represents a Government grant payable towards the cost of providing local authority housing and the management and maintenance of that housing.
Impairment	A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet. Impairment can arise from either the consumption of economic benefits or a general reduction in prices.
Infrastructure Assets	Fixed assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed
Inventories	The amount of unused or un-consumed goods held in expectation of future use within one year. Stocks are valued at the end of each financial year and carried forward to be matched to the use or consumption when it arises.
Investment Properties	Interest in land and/or buildings, which are held for their investment potential or rental income.
Levies	A payment that a local authority is required to make to a particular body. Levying bodies include national parks authorities and passenger transport authorities.

Long term debtors	These debtors represent the income still to be received where sales of assets have taken place and deferred receipts, such as mortgages.
Minimum Revenue Provision	An amount, calculated in accordance with statutory guidance, charged to revenue for the repayment of debt.
Movement in Reserves Statement	Shows the movement in reserves held by the Council during the year.
National Non-Domestic Rates (NNDR)	The form of local taxation charged on non-residential premises at a level set by central Government. Rates are collected and paid into a central pool administered by central Government. The total collected is then redistributed to authorities on the basis of population.
Net Book Value	The amount of which fixed assets are included in the balance sheet, i.e. historical cost or current value less the cumulative amounts provided for depreciation and impairment.
Net Expenditure	Total expenditure less any income due to the council.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non-Current Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
Surplus Assets	Fixed assets that are not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease that stipulates the asset can never become the property of the lessee. In essence, all leases that do not meet the definition of a finance lease are accounted for as operating leases.
Operational Assets	Are fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit scheme, the increase in the value of benefits payable that was earned in prior years arising because of improvements to retirement benefits.
Post Balance Sheet Events	These events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the statement of accounts is signed.
Precept	A charge made on the collection fund by non-billing authorities such as the Greater London Authority, to finance its net expenditure.

Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental errors.
Private Finance Initiative (PFI)	Started in 1997/98, PFI offers a form of Private-Public Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector. As a result of changes in accounting conventions, assets acquired under a PFI scheme are now shown on the Balance Sheet.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The Valuation Office, (part of the Inland Revenue), assesses the rateable value of individual non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the government for the year. (Domestic properties no longer have individual rateable values but are assigned to one of the eight valuation bands for council tax.
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Members and senior Officers of the Council are required to declare if they have entered into any such transactions and any relationships of significant influence with any organisations associated with the Council.
Reserves	An amount set-aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Revaluation Reserve	A new reserve established to record unrealised net gains on the Council's fixed assets arising from revaluations made on or after 1 April 2007.
Revenue Balances	These reserves represent surplus balances which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the Housing Revenue Account.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by central government to a local authority towards the cost of its services which is distributed as part of Formula Grant.
Service Level Agreements	Service level agreements are written agreements between council support service users and providers. Each service

	level agreement specifies the support service to be provided its timing and frequency, the charge to be made for it and the period for which the agreement will run.
Trading Accounts	The accounts, which summarise the revenue transactions of those services operating on a "trading" basis which, are financed by charges made to recipients of the services.
Transfer Value	A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to give benefits for service in the paying pension scheme.
Valuation Band	The eight bands for Council Tax as specified in the Local Government Finance Act 1992. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992 as A-6, B-7, C-8, D-9, E-11, F-13, G-15, and H-18 with band D acting as the 'standard' band. This means that Band A is 6/9ths of Band D, and so on.